BUSINESS WEEK

A NICHAW-HILL PUBLICATION



National's Charles T. Fisher, Jr.: Detroit's banks grow up to auto industry (pages 6, 26)

BUSINESS WEEK INDEX

TWENTY FIVE CENTS

Who gets the welfare in a "welfare state"?

That's easy: the state. Which is to say, the bureaucrats.

There's a formula. You've seen it. Be sure you recognize it next time. Here's how it goes:

Somebody promises to *give* you something (a subsidy, or a wage increase without a production increase), if you'll give him a little something in return—just a little something—a vote, perhaps.

So, you give and you get. Or you think you do. Maybe what you get increases the national debt or decreases corporation profits. What do you care? Let's see:

National debt? That's mortgaging your child's future. Let the rich pay it? That's silly. Take every penny every one of them has, and you wouldn't make more than a dent in the national debt. Every

dollar added to it by the give-away bureaucrats has to be paid back by you and your children and your grandchildren.

Take it out of corporation profits? If all the profits of all the corporations were taken, you would pay only a tiny fraction of the national debt.

The plain truth is that no one can give you anything. Last year the federal government said it "gave" to the states five and a half billion dollars. That money, of course, first came from the states. But \$625,000,000 of it never got back to the states—that was the cost of taking it away from you, and giving part of it back.

When anyone promises you something for nothing, you can be sure *be* gets a lot of the *some-thing*, and *you* get a lot of the *nothing*.





What will Koroseal do next?

A typical example of B. F. Goodrich product improvement

A BUSINESS MAN who saw this picture said, "Koroseal even makes children more practical." That bus seat is Koroseal flexible material, and Koroseal is also used to line 86,000-gallon oil tanks, to make raincoats for mamma, pants for baby, trolley guards in coal mines, strips to float glass in aluminum windows.

How many other things can it do? You business men with product problems can probably think of even more ways to use it than we can.

Koroseal flexible material can be made in dozens — even hundreds — of forms: sheets, films, coatings, tubes or

other extrusions, any thickness or size, can be laminated to paper, cloth, tinfoil, may have a high-gloss finish or pattern or "grain." Can be sealed with heat.

It may make new kinds of packages for foods or greases or other things, for products needing softness, easy cleaning, resistance to chemicals. In most forms it even resists flame — will burn only while actually held in flame, goes out when flame is removed.

It's waterproof, easy to clean in furniture upholstery, bus seats, truck or car seats. Fresh dirt comes off with a swish of a damp cloth. Or you can use soap and water as often as you wish. It's nearly scuffproof, looks like new long after others would be scratched and worn.

We invite inquiries from business men. Write us if you have any problem you think Koroseal might solve. We'll tell you frankly what experience we have had in your field, and send samples for test or experiment if necessary. The B.F. Goodrich Company, Koroseal Sales Department, Marietta, Ohio.

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Stronger... more durable... more efficient and longer-lasting! These are some of the advantages of products made with Du Pont Cordura* High Tenacity Rayon.

That's because "Cordura" yarn is engineered to yield /much greater inherent strength than natural fibers commonly used. And it's made of continuous filaments no short pieces to pull apart under strain. In addition, this man-made fiber provides unvarying uniformity.

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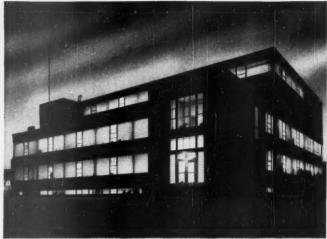
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Here's another case history on the advantages of *Iluiomatic Epzinklets*... further proof that profits can be totaled NOW with INVESTMENT PROTECTION. Representing a property valuation of over \$1,500,000, the Toronto plant of Murphy Paint Company, Ltd., is a perfect example of modern thinking from a construction point of view. That same thinking held sway when it came to the se-

lection of fire protective equipment for the safety of lives and the preservation of property. *Uniformatic Eprinkless*, on their record of performance, were the management's choice.

But savings are also of important concern to Murphy Paint and they report, that in their case, **Millimatic Polinklets* will pay for themselves through reduced insurance rates in about five years. That's INVESTMENT PROTECTION, considerably less costly than would be fire destruction. It's substantial reason why executives in all types of business are specifying **Millimatic Polinklets* for both old and new construction. They've made them their first line of fire defense and, **you should too. They're an important investment today . . . perhaps welcomed protection tomorrow.

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THE COVER

Charles Thomas Fisher, Jr., president of the National Bank of Detroit, fourteenth largest commercial bank in the nation, largest bank in Detroit, occupies a position of peculiar importance in Detroit. The second generation member of a famous automotive family ("Body by Fisher"), he's a banker to automotive men. A well-groomed, quiet epitome of a big city banker, Fisher is further tied to the auto industry by marriage. His wife is the former Elizabeth Jane Briggs, daughter of Walter O. Briggs of Briggs Mfg. Co. • Too Easy-Now 42, Fisher got into banking because he thought that for a man in his family the automobile business would be too easy. graduating from Georgetown University in 1928, he went to work as secretary to the executive vice-president of the Guardian National Bank of Commerce in Detroit. In 1932 he joined the brand-new RFC, but soon switched to a vice-presidency of the First National Bank of Detroit. When that failed after the heetic days of the banking crisis, he went back to the RFC. In 1935 President Roosevelt made him an RFC director. In 1937 Governor Frank Murphy of Michigan made him the state's commissioner of banking. He has been with the National Bank of Detroit since 1938.

Although he likes to keep himself well in the background, Fisher's civic and financial interests range far and wide. He holds trusteeships or directorships on the Detroit Board of Commerce, the Detroit Community Fund, the Metropolitan Area Regional planning Commission; the Detroit Tigers, Briggs Mfg. Co., Detroit Edison Co., American Airlines.

Once an enthusiastic horseman, Fisher now goes in more for freshwater boating, both sail and power. In conversation he's at home on any topic that concerns him—the techniques of beating a course to leeward, or the effect of a rediscount rate change on loan policy and money supply.

-Cover painting by Tran Mawicke, Complete story on Detroit begins on page 26.

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BUSINESS OUTLOOK

BUSINESS WEEK NOVEMBER 5, 1949

The vitality of this country's economy now faces still another test.

With the air clearing on the labor front, business planning once again must turn to production, sales, inventories, and the like.

Basically, American business hasn't suffered much from the strikes. The time-honored indexes overstate the depth of the dip.

Yet it is hard to say how fast and how far we will snap back.

Available business yardsticks tell us where we have been rather than where we are going.

Take the Federal Reserve Board's estimate of October industrial production. The index number is 152. That compares with 172 for September. The postwar peak was 195 late last year.

That drop might look disastrous. But the index simply measures the physical volume of production. It doesn't reflect volume of trade.

And all production indexes rely heavily on output of steel and coal. That, of course, is way down. But use of steel and coal are not; industry has kept on running, drawing on its stockpiles.

Many industries will limp a little these next few weeks because they have depleted their inventories of steel (page 19).

It will take a while to get steel output rolling again. Meanwhile, steel users will clamor for deliveries. Many experts count on this restocking to push business activity back up quickly to where it was before.

But inventory demand, even in our most basic industry, isn't enough to base high hopes on.

Besides, we don't know the "real" level of steel demand. Orders before the strike included a lot of buying for "insurance."

Steel output may rally to 95% of capacity. But will that rate hold?

Washington's "official line" apparently is that 1949's autumn recovery will pick up right where it left off.

But the Bureau of Agricultural Economics casts a dissenting vote. Says BAE of 1950:

"A further slight reduction in economic activity and a relatively slow decline in prices appear likely."

Hedge: BAE says it can't allow for the unforeseeable at home and abroad.

Private economists are pretty solid that 1950 won't average much, if any, lower than 1949. But few agree on the shape of the 1950 curve.

Business Week still is inclined to believe that the early months of next year will be the most trying. Unemployment will be up seasonally. The impact of income taxes comes in March, vacations in June and July.

Biggest plus will be veterans' insurance payments. But this spending can't be timed exactly; a lot will be spent this year—before it is received.

Politics—domestic or foreign—may tip the scale either way. But deficit spending will be on the inflationary side in any event.

Looking into 1950's second half, business should be steady to rising.

Building again should be at a high level. Auto volume won't be off

BUSINESS WEEK NOVEMBER 5, 1949

much—in units. Consumer spending—and maybe election prospects—could spur business capital outlays.

Prices are among the few indicators that can be counted on for an up-to-the-minute, sensitive picture of today's business. But about all prices say is that underlying factors haven't changed much.

Of course, it isn't possible to sift out what part of a price movement is due to strikes at home, or currency manipulation abroad.

In general, though, the combination has sent domestic prices drifting lower. Even so, the Bureau of Labor Statistics' daily index of 16 leading domestic spot commodities has slid a scant 5%, industrial raws 3%.

The broad index of about 900 wholesale prices has hardly moved at all.

This week's report on employment-unemployment sheds little new light on the business situation.

There was a small shrinkage in the number of people seeking jobs in October. Farm employment went down as is usual at this time of year, while nonagricultural employment added a bit to September's rise.

Total employment was put at 59,001,000 against 59,411,000 a month earlier; unemployment at 3,576,000 against 3,351,000.

None of the changes is wide enough to mean much. Besides, the October sampling was made in the week which ended Oct. 3—just as the steel and coal strikes became total.

Figures on insured unemployment serve only to confuse the situation in the labor force: The total declined steadily from 2.9-million receiving benefits in mid-July to below 2-million early in October.

But much of the decline was in veterans whose VA benefits ran out this summer and who weren't eligible for payments under the state programs.

Comebacks in many consumer goods have been spectacular (BW—Oct. 15'49,p24). But gains in numerous other lines are slower coming to light, thus draw less notice. Here are a few:

<u>Softwood plywood:</u> Output jumped 75% from July to August. Shipments in August went ahead of a year ago.

Asphalt roofing: August shipments rose 12% from July, topped 1948.

Gray-iron castings: Shipments, after a seven-month slump, were 9% above July. However, August volume still was 21% below a year ago. Soil pipe and fittings had the best gain among various types of castings.

Suppliers are beginning to feel the full effect of rayon's pickup. Rayonier, producer of wood cellulose, has all its mills in full operation after its earlier slump (BW—Jun.18'49,p25).

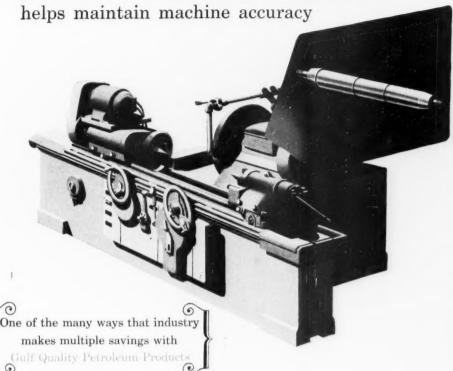
Accountants have decided that "surplus" is a nasty word. They propose eliminating it from corporate balance sheets.

The Committee on Accounting Procedure of the American Institute of Accountants says the dictionary defines surplus as "excess, overplus, residue." That isn't what the accountants mean.

Suggests the committee: Use such descriptive terms as "retained earnings" or "appreciation of fixed assets."

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FIGURES OF THE WEEK

1923-25=100			1 19	23-25	=100 -
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1946 1947 1948 1949	Vigit.	F M A	M J J	A S O	150
	§ Latest Week	Preceding Week	Month Age	Year Ago	1941 Average
Business Week Index (above)	*159.1	+159.2	178.8	198.7	162.2
PRODUCTION					
Steel ingot operations (% of capacity)	8.8	9.0	8.2	98.9	97.3
Production of automobiles and trucks	140,244	†143,049	151,593	116,968	, -,-
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	\$23,792 5,433	\$23,062	\$27,541 5,521	\$25,546 5,555	
Electric power output (million kilowatt-hours). Crude Oil and Condensate (daily average, 1,000 bbls.).	5,075	5,072	4,950	5,652	
Bituminous coal (daily average, 1,000 tons)	423	398	338	2,088	1,685
TRADE					
Miscellaneous and I.c.l. Carloadings (daily average, 1,000 cars)	68	68	75	90	86
All other carloadings (daily average, 1,000 cars)	30	29	35	65	52
Money in circulation (millions). Department store sales (change from same week of preceding year)	\$27,328 -14%	\$27,427	\$27,348	\$28,091 +12%	\$9,613 +17%
Business failures (Dun & Bradstreet, number)	221	181	181	104	228
PRICES (Average for the week)					
Cost of Living (U. S. Bureau of Labor Statistics, 1935-39 = 100), Sept 169.6			168.8	174.5	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100)	339.7	339.0	342.7	400.7	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	224.8	†224.1	226.8	276.5	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	292.7	1294.0	297.1	322.3	146.6
Finished steel composite (Iron Age, lb.)	3.705¢ \$27.58	3.705¢ \$25.58	3.705e \$26.92	3.720¢	2.396¢
Scrap steel composite (Iron Age, ton)	17.625e	17.625e	17.625¢	\$43.16 23.500¢	\$19.48 12.022e
Wheat (No. 2, hard winter, Kansas City, bu.).	\$2.18	52.18	\$2.16	\$2.25	\$0.99
Sugar (raw, delivered New York, lb.)	6.01e	6.05e	6.05e	5.68e	3.38€
Cotton (middling, ten designated markets, lb.)	29.75€	29.61e	29.58e	30.93e	13.94e
Wool tops (New York, lb.)	\$1.707	\$1.686	\$1.613	\$1.609	\$1.281
Rubber (ribbed smoked sheets, New York, lb.)	16.39e	16.39¢	16.49e	21.35e	22.16¢
FINANCE	100.5	100			
90 stocks, price index (Standard & Poor's Corp.)	128.3	126.4	124.2	130.4	78.0
Medium grade corporate bond yield (Baa issues, Moody's)	3.36%	3.35%	3.36%	3.53%	4.33%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	2.61%	2.61%	2.61%	2.87%	2.77%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	13%	13%	13%	11-11%	1.00%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks	47,341	46,738	46,457	47,422	++27,777
Total loans and investments, reporting member banks	66,772	66,439	66,062	62,441	++32,309
Commercial and agricultural loans, reporting member banks	13,680	13,647	13,384	15,410	++6,963
Securities loans, reporting member banks.	1.884	1,818	2,306	1,351	+1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	37,838	37,625	37,004	33,526	++15,999
Other securities held, reporting member banks. Excess reserves, all member banks.	5,013 810	5,023	5,060	4,280	114,303
Total federal reserve credit outstanding.	17.833	1,140 18,157	910	874	5,290
			18,397	23,797	2,265
*Preliminary, week ended October 29. *Retised. †*Estimate (BW-)ul.12'47,p[6]	#Date	for "Latest	Week" on	each series	on request.



BURROUGHS MICROFILMING

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precision results
at
lower cost

This modern, precision-built recorder permits hand or automatic feed and a choice of three reduction ratios. A flick of a switch selects 8 mm. or 16 mm. photography on 16 mm. film.

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WHEREVER THERE'S BUSINESS THERE'S

Burroughs



WASHINGTON OUTLOOK



A BUSINESS FORECAST for 1950 came out of the annual outlook sessions the Agriculture Dept. held for

its agents in from the field this week.

These sessions are the one occasion when working economists from all over the government let themselves be pinned down to an unhedged business prediction.

Their verdict this year: Business will be about as good in the first half of next year as it is now —maybe a little better. But in the last half it will shade off a bit.

At the policy level—where they go as much by the feel as by the statistics—you'll find even more optimism than among the hired hands.

Here are some of the specific predictions made at the outlook sessions:

Disposable income (personal income, less taxes)—First half will run at the current rate of \$190-billion; second half will drop to around \$185-billion

Employment—First half may be a shade higher than the current level of around 60-million; probably somewhat lower in the second half.

Unemployment—Higher throughout the year, because of the growing labor force.

Industrial production—Back up again in the first half of '50; sliding off in the second half to around last September's level.

Industrial wages—Practically unchanged all year.

Consumer prices—Off 5 points in the first half from the current BLS index of 170; off another 5 points in the second half. Almost all the drop will be in food prices.

Wholesale prices—In BLS index figures, 148 in the first half, 143 in the second half. Latest figure is 153.

Farmers' cash income—Down 10% to \$25-billion

The farther ahead an economist looks, of course, the more bearish he gets. That's one reason for the relatively gloomy look at the second half of 1950. But the government men have reasons, too:

- They expect the drop in capital expenditures to continue.
- They spot the end of the auto boom near the middle of next year.
- The stimulating effect of the \$2.8-billion insur-

ance refund to veterans all hits in the first half.

REPUBLICANS would get a terrific lift out of any victory in next Tuesday's congressional by-elections. It would really step up National Chairman Gabrielson's rebuilding drive.

The point is that the G.O.P. is popularly figured to lose both the House contests, in Brooklyn and California, and the New York Senate race.

So a victory in any of these elections would be just the thing to enthuse party workers, quicken the pace of dollar contributions.

Gabrielson already is off to a good start in this direction. Republicans captured the Pennsylvania congressional seat in September. And Party funds are coming in a little better.

ATTENTION, SMALL BUSINESSMEN: If you're looking for ECA orders, here's a chance for some free advertising.

Between Nov. 10 and Nov. 30, your Chamber of Commerce will have forms supplied by ECA's small-business committee on which you can list what you have to self.

ECA plans to catalog the products, distribute the lists to European importers and agencies that actually place ECA-paid-for orders.

Also, ECA is setting up "field counseling groups" to help you through the ropes of foreign trade.

FARM-SURPLUS GIVEAWAYS to underfed foreigners are something to expect next year (page 24)

Reasons: It's getting harder and harder to find storage space for the stuff government has to buy to support prices. Storage costs already are \$250,000 a day, getting bigger.

And, if U. S. crops are going to help feed the world, officials prefer to use them to promote U. S. foreign policy—in India, for instance. The alternative is the U.N. Food & Agriculture Organization's international commodity-clearinghouse scheme (BW—Oct.1'49,p101).

The door to giveaways already is opened by this year's farm law; it authorizes giving away government-owned perishables through charity organizations.

Next year the pressure will be to widen the authority to include all crops and to permit disposal direct to governments.

Already you have such diverse political figures

WASHINGTON OUTLOOK

(Continued)

as ex-Treasury Secretary Morgenthau and G.O.P. Rep. Jesse Wolcott talking the idea.

FEDERAL AIR TRANSPORT SUBSIDY legislation is all but abandoned, even by its backers. Reason: The experience of British plane-makers.

Britain's de Havilland jet transport, the Comet (BW—Oct.22'49,p80), was built with private capital; today it is the plane out in front in the world. The British government-sponsored Brabazon, meantime, is a \$42-million headache.

So U.S. transport builders like Douglas, Boeing, and Lockheed are rushing their jet-transport designs into experimental engineering shops; they had been holding back in hopes of federal aid for prototypes from the Brewster bill.

They have decided that there isn't time to wait for federal money—if the U. S. is to catch up.

Also, U. S. plane-makers have convinced themselves it will be easier to scrape up working capital to build planes they think they can sell than to put up with a politically appointed board's idea of what tomorrow's plane should be.

NOURSE'S SUCCESSOR on Truman's economic council won't be named until after the first of the year. Reason: The council's annual report already is being drafted; it's felt that a new member coming in now might confuse things.

IF YOU HIRE a five-percenter, you will soon have to identify him when you sell to government.

Jess Larson, boss of the new General Services Administration, is putting a clause in all contract forms asking: Did you retain anyone to help you get this business? If so, who, and how much did you pay? The question will be asked not only on purchases by Larson's agency, but also on future military contracts.

In the case of unusually high fees, Larson intends to rule that the money must be deducted from the price paid by government. There will be no penalty—except publicity, maybe—for normal payments for normal go-between services.

Another reform that's coming: decentralization of the \$400-million-a-year government buying of civilian supplies.

GSA is staffing its 10 regional offices with technicians whose job it is to get specifications into bidders' hands in time. Biggest plaint of little fellows who want to do business with government is that they get "specs" too late to compete.

... WILD BLUE YONDER

How big an Air Force is the U. S. to have? Who—Truman or Congress—shall decide? And on what criteria: on how much the nation can conveniently afford or on how much it must afford?

Truman's action in freezing the \$800-million Congress voted for planes in excess of his budget request foreshadows a show-down fight next year.

And wrapped up in the answers, at least indirectly, are, on the one hand, your taxes or the size of the federal deficit; on the other, the operating and fiscal health of the aviation industry.

For the difference between Truman and Congress is a couple of billion in capital outlay for planes over the next few years to start with, hundreds of millions in upkeep each year thereafter.

Truman's freeze order means the Air Force is to remain at 48 groups for now.

That's a cutback from the 60 groups it had a year ago. It's just two-thirds the 70 groups that the Truman-appointed Finletter commission and a congressional committee agreed two years ago was the minimum for the nation's security.

The 48-group strength is the product of the argument Truman's advisers sold him a year ago: that \$14.5-billion was all the nation could afford for defense without allocation and controls.

The Pentagon's balanced-force concept is involved, too. The military originally wanted \$30-billion worth of planes, ships, soldiers—all in balance. Truman made them cut this in, half. They made the cut across the board—Army, Navy, Air Force alike.

Then Congress figured it could get more defense by slipping in a little extra for extra planes.

Truman's line: That's silly. The extra planes do you little good without a matching force of ships and men. And all that would cost too much.

Last year, Truman first let the Air Force contract to spend the extra funds Congress voted; these contracts were canceled when he subsequently decided on the lower spending ceiling. This year, Truman simply told the Air Force not to contract for the extra planes Congress voted.

And next year, largely because the bills won't be coming in on delivery of these planes, Truman plans to hold military spending to \$13-billion.

Air Force proponents in Congress will seek some other way to force the Administration to expand the nation's air strength.

Real Estate Sub-Division_400 Feet Down!



Photographed in Southern Illinois coal fields by William Vandivert

Perhaps you've never thought of a coal mine as a piece of real estate. But a glance at the map of a mine hung in this foreman's office underground makes clear the geographical similarity between a city area and the mine workings. It shows in detail every "street," railroad and passageway—covering several square miles under the earth's surface.

To the eye of the mining engineer, a map like this translates itself into a bigger investment in property than many a desirable residential section. It marks the expenditure of millions of dollars for railroad track, conveyor belt, timbering, and elevator and ventilating shafts.

All of this planning, construction and equipment is designed to produce coal efficiently, economically and in quantity enough to meet any demands. All of it represents a carefully calculated program of engineering and investment—running into billions of dollars—which assures everyone of coal easy to buy, efficient and economical to use.

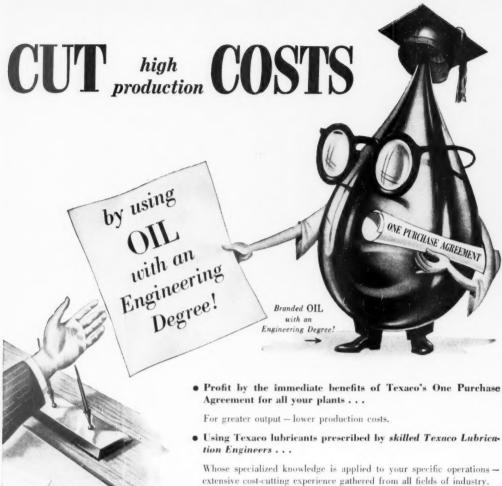
Aboveground, too, modern mines represent a far cry from the "pick and shovel" days. To produce "prescription coals," free from loose impurities and blended and treated to meet customers' specifications, mine operators have built million-dollar preparation plants. Among new preparation plants now under construction is one designed to wash and grade coal at a record rate of 2,000 tons an hour. Modern coal mines employ almost as many skilled "miners" aboveground as below—and all receive the highest hourly wages paid by any major American industry.

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BUSINESS WEEK

NUMBER 1053 NOVEMBER 5, 1949



CONTRACT waved as Bethlehem V.P. Larkin (center) and Murray announced . . .

A Break in Steel-Is Coal Next?

Bethlehem, with an existing contributory pension, was vulnerable to steelworker pressure. But as industry's steel worries ease, coal shortage intensifies.

The break in the steel strike this week only partially cleared the labor outlook. It made the shutdown in coal more important than ever.

• Contrast—The steel industry is unique, in that it felt the coal strike for only ten days before itself shutting down. Coal piles good for 35-45 days of capacity operations have been stacked beside banked blast furnaces—while industry in general was nearing the end of a second month of the coal famine. It's a safe bet that, by the time steel shipments are in transit again, many consignees are going to be feeling a drastic fuel shortage.

Barring an unpredictable reversal by John L. Lewis-always a possibility—an early end of the coal strike didn't seem to be in the cards at midweek. Real bargaining still hadn't begun: the operators remained in the dark on what Lewis' real settlement terms were. He was still talking about a 20e-a-ton increase in royalty-fund payments for pensions and social welfare benefits, a cut in the work-day from eight to seven hours with no cut in the day's wage, plus a wage increase over and above the

121% hourly raise which the shorter hours would mean.

• The Basic Issue—Significantly, while Lewis' terms seemed staggering, they weren't the real roadblock in negotiations. The deadlock point was the "willing and able" clause in the old coal contract. To the operators, a contract that gives the mine workers the right to walk out any time they don't feel willing and able to work is no contract at all. Their position is that they will talk business anytime Lewis is prepared to guarantee them one or two years of strike-free production. If they are granted that point, they are willing—at least an influential group of them is willing—to talk shorter hours and a welfare-fund boost of as much as a dime a ton.

Lewis' insistence on continuing the "able and willing" clause has been based on a determination to keep his union beyond the reach of the Taft-Hartley act. If he signs a no-strike contract, he is liable for damages every time it's breached. On its termination, he must give notice of intent to strike under the law, thus permitting the use

of the T-H injunction provision in advance of any coal stoppage. Coal production normally runs well beyond coal demand, so Lewis feels he can't give up the strike weapon without losing his most important bargaining convincer.

Lewis' announcement this week that he had called a meeting of the United Mine Workers' Policy Committee in Chicago next Monday may indicate that he is at last willing to talk terms. · Bethlehem's Position-In the meantime, any thought that Bethlehem Steel, which had broken the industry front in the steel strike, would play a similar role in coal seemed groundless. Bethlehem is not an important enough factor in coal to make a settlement pattern: nor has it indicated any interest in even trying to do so. The company's unprecedented action in making the first important 1949 contract with Philip Murray's steelworkers was due to very special circumstances.

Bethlehem has had a noncontributory pension plan in effect for 26 years. So the rest of the industry's fight for the principle of employee contributions to pensions had little relevance to Bethlehem. From Murray's point of view. Bethlehem was the logical "soft spot" in the industry front.

Exactly how much Murray got from the company won't be known for weeks—until the actuaries figure out how much Bethlehem's commitment will cost. The complexity of this calculation is attested to by the fact that, though the agreement sets Jan. 1, 1950, as the effective date of the Bethlehem pension plan. Murray had to agree to let the actuaries decide whether it can be ready by that time or whether it has to be put over to Mar. 1, 1950.

• Union Claims Victory—On the issue of noncontributory pensions, Murray claims a complete victory at Bethlehem. The company obligates itself to pay a minimum pension of \$100 a month—in which federal social-security payments are counted—to every employee, age 65, with 25 years of service.

Note the fact that, in contrast to the widely publicized plan accepted by the Ford Motor Co. last month, the \$100 figure is a minimum at Bethlehem. Bethlehem pensions can range up to \$250 per month, including social security—depending on the worker's length of service and rate of pay. It is the cost of these outlays which still is not yet completely calculated.

• Murray's Estimate-According to Murray, who naturally is eager to present the agreement as a swhopping union gain, the cost to Bethlehem will be around 12¢ an hour, over and above what the company is presently putting

into its pension fund.

To this must be added the 21¢ an hour that the company has agreed to contribute toward a social insurance program, which provides death, sickness, accident, and hospitalization benefits. This is a liberalization of a program already in effect at Bethlehem, which is paid for solely by comployees on a voluntary-membership basis.

Close to 99% of the employees already participate in this program; their average contribution is estimated at about 3¢ an hour. Under the new plan, they will contribute 21¢ an hour, which

the company will match. Thus, for Bethlehem workers already under the social-insurance program, the new agreement represents no cut in take-home

• Top Man-Unless Murray's estimates turn out to be wide of the mark, it looks as though Murray is on top, at least temporarily, in the three-cornered race for the title of labor's most effective big bargainer. On the face of it, the steel pension gives the steelworkers a better retirement income than Walter Reuther got for his union from Ford -and it will probably cost employers more. And the Bessie pension, with its \$100 minimum, is more liberal than Lewis has been able to provide out of his welfare fund.

First National Bank, "Even with an immediate end to the tieups, it would still be after the first of the year before business could return to anything like Pittsburgh. The steelworkers have

Gen. John C. Persons, president of the

been going into debt for living expenses.

Cleveland. Strikes are blamed for only part of the decline in retail sales. Should strikes end now, little effect on Christmas buying is expected-except that more will be bought on credit.

Ir

U

Youngstown. A one-industry town: steel. Department-store sales are down 30% to 40%; meat sales are down 15%; even bread sales are down 10%. Banks are eashing more war bonds than ever before. Christmas sales will be badly

Cincinnati. The city has no steel mills; it has felt very little effect from the strike so far. But in Newport, Ky., right across the river, 2,000 men are out at Newport Steel Corp., the town's principal industry. As a result, local retail business has "dropped off terribly," and Christmas sales will be hit

Chicago. Department-store sales are down a little. But the local Federal Reserve Bank attributes this to the unseasonably warm weather and the normal buying lull.

Kansas City. Practically no effect of the strike has been felt so far. And with the end in sight none is expected.

Memphis. The just-ended Missouri Pacific R.R. strike gave the city a much harder jolt than the steel strike has caused to date.

Dallas: "If strikes are settled immediately, effects in this area will be negligible.

• Lag-The impact of the steel strike on steel-consuming industries will continue to be felt long after the final settlement date. It will take from four to six weeks, in most cases, from the time the open hearths start up until steel gets where it is needed.

Take the auto industry, for instance, Before the Bethlehem pact was announced, Chrysler Corp. planned to shut down its Chrysler, De Soto, and Dodge plants at the end of this week, its Plymouth plants perhaps week after next. Ford planned to shut down the end of next week; Nash, the week after. None of these plans have been changed. Ford and Chrysler say they will close as scheduled, and that it may be as long as four weeks before they have enough steel, and their inventory is sufficiently balanced, to start up again.

The same is true of other steel-using industries. Caterpillar Tractor, in Peoria, expects to curtail output sharply, though it probably won't close down. On the other hand. International Harvester thinks it will get by if the strike ends as expected.

Strike Effects: Surprisingly Mild

The surprising thing is that the month-long tieup of the nation's most basic industry has hurt the economy hardly at all.

• No Long-Run Loss-In the long run -say over the next six months-little or no production will be lost in any industry because of the strike. One government economist puts it this way:

"In a situation like the present, when demand in most lines is lagging slightly behind petential supply, strikes don't have the effect of increasing demand; all they do is defer it. No supply is 'lost forever'; it can be made up fairly easily in the future. After a settlement, you find a few industries-such as steel and its fabricators-working hard to meet slightly excessive demand. You may even have a short-term gray market. But in a matter of weeks this excess of demand disappears, and your economy is back to where it was before the strikes.'

Here's how that works in the steel industry itself: Before the strike, producers of steel ingots were working at about 85% of capacity. After they get back in production, they will operate at or close to capacity-perhaps for as long as six months-until all the pipelines are filled and all the deficits are made up. Then they will go back to 85%-or whatever the economy calls

for at that time.

· Losses-Some production (though not much) has already been lost in the steel-consuming industries. But the strike didn't last long enough for any of that drop in output to filter down to the retail level. Distributors' stocks have been large enough to take up the slack. In fact, you can find a lot of retailers-automobile dealers among them -who are quite happy to see factory shipments to them cut off for a week OF SO.

On the other side of the picture, the strike has caused some drop in retail sales-particularly in steel towns, because of the loss in payroll. But the strike didn't last long enough for that drop to filter back up to manufacturers in the form of canceled orders.

So, the makers of nondurable goods haven't felt the strike at all-and probably don't. And the stores-in all but the steel towns-will probably make up between now and Christmas whatever

lag they have felt.

A BUSINESS WEEK survey this week pointed up the fact that there is a big difference between steel towns and places that have no major steel plants, both in the effect of the strike so far and in the aftermath effects that are expected.

Worcester. About 5,000 steelworkers are on strike (in addition, the city already had fairly heavy unemployment before the steel strike). One retailer sums up the situation like this: "The pinch will get worse no matter when the strike ends, because strikers will need time to get back on their feet. If it were all over now, we'd still feel it in our Christmas sales.

Buffalo. Lackawanna, a suburb where 15,000 Bethlehem workers were out, was hardest hit. Buffalo proper didn't feel the effects much until last week. Now, with the Bethlehem strike settled, the area expects a quick return to normal-with even a slight boom possible because of demand backlogs in steel and related industries.

Baltimore. Bethlehem, at Sparrows Point, had 24,000 workers out; many other companies in the area, tied closely to steel, were also affected. A Chamber of Commerce official told BUSINESS WEEK: "The city should snap back quickly now. But the terrific payroll loss we took is bound to take the edge off the Christmas trade.'

Birmingham. Some 33,500 workers are on strike, with another 6,000 or so idle as a result of steel shortages. Says

	Estimate	Estimate	Change			
	(billions of dollars)					
Military programs	\$13.2	\$12.3	-\$0.9			
Foreign aid		4.1	-0.4			
Veterans' programs		5.7	+1.3			
RFC mortgage purchases		1.3	+1.1			
Commodity Credit Corp		1.4	+0.8			
Post Office deficit		0.6	+0.4			
Interest on public debt	5.5	5.7	+0.2			
Universal military training (proposed)	0.6		-0.6			
Aid to education (proposed)	0.3		-0.3			
Programs with no major changes	12.4	12.4				
Total budget expenditures	\$41.9	\$43.5	+\$1.6			

How Federal Spending Adds Up

Budget estimates have risen since last January. And estimates of receipts are down. So the fiscal year ending next June will see the nation go \$5.5-billion into the red.

The U.S. government will spend \$5.5-billion more than it takes in during the fiscal year that ends next June.

• Predictions Confirmed—A deficit of about that size has been predicted for some time now (BW—Oct.22'49,p19). This week it became official, when Budget Director Frank Pace issued the annual midvear budget review.

The review is late this year because Congress dallied over the departmental appropriations, didn't adjourn until Oct. 19. And that means the review is sketchy, too; the budget staff is already neck-deep in 1951 estimates.

All Pace had time for was an outline that shows:

Expenditures for fiscal 1950 will be \$43.5-billion, about \$1.6-billion above President Truman's January estimate.

Receipts will be \$38-billion, \$3-billion less than January's estimates. The revenue loss comes from the drops in prices, incomes, and corporate profits that took place since Truman's original estimate was made.

So the deficit will be \$4.6-billion more than the \$900-million projected by the President.

• Biggest Items—On the expenditures side, this biggest of all peace-time budgets is heavily weighted by the defense program and by U.S. international commitments. Here's how much the specific programs will finally cost:

Military. The department of defense will spend \$900-million less than the \$13.2-billion projected last January. Reductions are due to: (1) deferments in procurement resulting from delayed appropriations; and (2) Secretary Johnson's cut in personnel.

Veterans. The January estimate of \$4.3-billion in expenditures has been upped by \$1.3-billion. The increase is to finance more liberal pensions voted by Congress; more schooling under the G. I. Bill of Rights; and additions to the National Service Life Insurance fund.

January Current

International aid. ECA will spend \$3.6-billion, and \$500-million go for

arms aid. The total is still \$400-million under Truman's January estimate for foreign assistance. Price declines and slow disbursements, as well as the \$300-million cut voted by Congress, account for the drop.

Farm-price supports. Bigger crops and lower prices will boost net spending by the Commodity Credit Corp. to \$1.4-billion—\$800-million higher than anticipated last January.

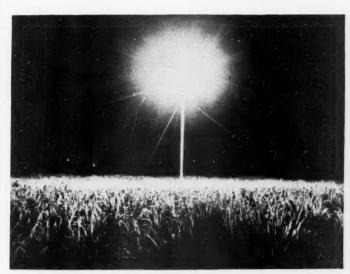
RFC mortgage purchases. Banks will offer \$1.1-billion more in veterans' and federal-housing mortgages to the Reconstruction Finance Corp. than they were expected to last January. This raises the total from only \$200-million to \$1.3-billion.

• Other Revisions—Debt-service costs are increased from \$5.5-billion to \$5.7-billion, and the Post Office deficit is expected to be \$600-million.

The January budget also included

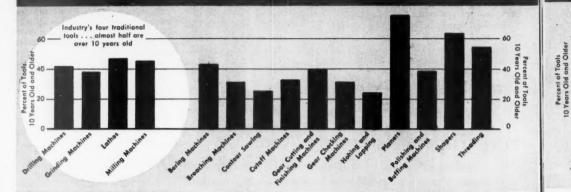
The January budget also included expenditure estimates of \$600-million for Universal Military Training and \$300-million for federal aid to education. UMT won't be voted. And, even if Congress finally approves aid to education, it won't be a cost until the 1951 fiscal year.

Pace figures that other programs public works, general departmental expenditures, and the like—will cost about what was figured in January.

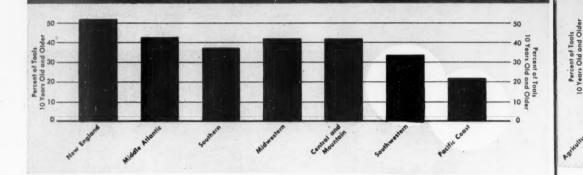


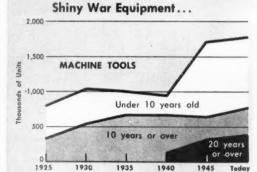
Dirty Trick in Hawaii

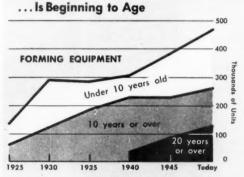
In the dead of night, when solid citizens sleep, Hawaii's sugar cane plants are waked up for a fresh work-shift. Tests show that lighting up sugar fields briefly at night prevents cane from tasseling, increases the sugar yield by as much as a ton an acre. So several planters have bought war-surplus 60-in. searchlights with 15-kw. generators, train them on their cane plants about midnight. At that hour, just one minute of strong light will break the plant's rest, and prevent it from flowering or tasseling. MACHINE TOOLS: Planers and Shapers Are Oldest Honers and Lappers Are Newest



REGIONS: New England Has Oldest Tools
Southwest and Far West Newest







Data: American Machinist.

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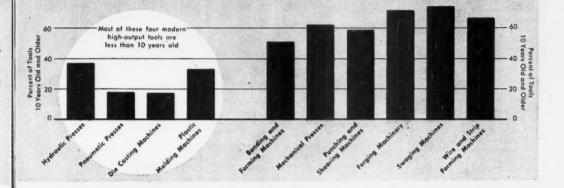
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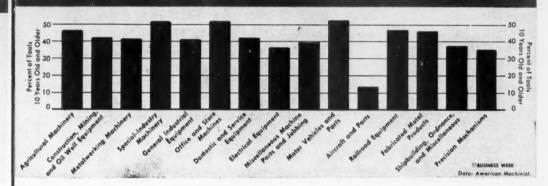
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FORMING EQUIPMENT: Forging and Swaging Machines Are Oldest Die-Casting and Plastic-Molding Newest







Does Industry Need More Machine Tools?

Most people take it for granted that U.S. industry has the finest plant and machinery on earth.

But the machine-tool industry will tell you that about half of our metalworking machinery is overdue for the scrap heap. And, the tool builders say, the situation is getting worse. The old tools are not being replaced.

• A Word for Trouble—This is another way of saying that the machine-tool industry has been having its troubles lately—which is true enough. Business recovery hasn't caught up with the tool people yet. All through 1949 machine-tool shipments have been running anywhere from 20% to 40% under the 1945-1947 average. And the

beginning of the fourth quarter failed to bring the autumn pickup that the industry had expected.

Part of the trouble comes from a shrinkage of export business. Foreign industries are gradually getting back on their feet; and devaluation of European currencies has put U.S. tool prices out of reach for many foreign buyers.

One big producer says that before the war, 40% of its production used to go into exports. Now, only 10% of its business is coming from abroad.

Part of the industry's troubles also are a more or less natural postwar shakedown. Machine-tool producing capacity just about doubled during the war. And the 1945-1947 base that the

industry uses for comparison represents a period of peak activity.

• Sales Talk—But what really worries and exasperates the machine-tool builders is the fact that U.S. manufacturers won't listen to their sales talk. According to the tool builders, the new equipment they have to sell outdates practically everything over 10 years old. In many cases, they say, the new tools will pay for themselves in cash savings within a couple of years

Manufacturers don't always see it that way. They like to get all the mileage out of their machine tools that they possibly can.

• Survey-The latest and most complete picture of the country's tool situ-

ation comes from the Inventory of Metalworking Equipment just completed by American Machinist, a Me-Graw-Hill publication. The inventory shows that about 42% of all equipment is 10 years old or older.

Moreover, most tool designs were frozen during the war. American Machinist estimates that design-wise 95% of the machine tools in use today are

over 10 years old.

Among the various industry groups. the standout is autos. Some 56% of its machine tools are 10 years old or more. And this may explain a lot of the machine-tool industry's troubles. The big auto companies have made few design changes since the war. In the old days they used to change models every year

· Changed Materials-There also is some evidence that manufacturers are switching away from machine tools proper and using metal-forming equipment where they can-making things from sheet, light metals, or plastics instead of heavy pieces of steel. Pneumatic presses and die-casting machines, for instance, show a considerably lower average age than the other groups.

Between 1939 and 1947, the value of machine-tool shipments more than doubled. But the value of shipments of other metal-working machinery increased more than four times. However, the value of shipments of cutting tools, jigs, and fixtures increased about five times. The cutting tool is the expendable business end of a machine

These figures suggest that machine tools are being used as much as ever (hence the big jump in the use of cutting tools). But the machine tools apparently are not being installed as

fast as the metal-forming equipment.

• Why Not Replace?—Manufacturers themselves say they will replace a tool whenever they think the new tool will pay for itself. But their ideas of economical replacement don't always jibe with the tool builder's.

Here are some of the main reasons they give for using old tools:

Taxes-The Bureau of Internal Revenue doesn't allow fast enough writeoffs to recapture the cost of the average machine tool in 10 years.

Labor-If the workers set a limit on production in a particular job, there is no point in getting high-speed machines to do it.

The plant-If there is a bottleneck somewhere else in the plant that limits production, new machines are of little help. There is no point in turning out parts faster than your assembly is ready to handle them.

Prices-With machine-tool prices up a new tool adds a big item to overhead. It has to be a spectacular money-saver to offset that.



1 BENELUX have economic merger under way.



Low Countries already 2 NUCLEAR UNION Next FCA hopes, integration of continental core.

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Sott

to



3 EUROPEAN UNION Ultimate goal, 4 ATLANTIC UNION of course, is free European market.

nomic alliance of North Atlantic states.

In Union-Strength for ERP

It will take drastic action to brace up the stumbling Marshall Plan. ECA feels only solution is union of European economies. To reach the goal, it is ready to turn ERP into a banking operation.

The Marshall Plan has bogged down badly. In Europe, it has become little more than a holding operation. In the U.S., it threatens to become a dumping operation for American surpluses (page

· Drastic Steps-So a keystone of U.S. foreign policy is crumbling. The problem is: What can Washington and Europe do to save what remains of the ERP ideal. Any remedy involves drastic steps:

European Economic Union. Paul Hoffman, ECA administrator, insists that only economic union will create the mass market needed for efficient production. Europe itself isn't sure.

Change in ECA Financing. As a move toward union. Washington wants to transform ERP from a commodity program to a purely banking operation.

European leaders go along with this.

Atlantic Union. A few sophisticated Europeans feel the answer lies in Atlantic economic union-North America along with Europe. Anything less, as they see it, is a half measure that won't work.

This week in Paris, Paul Hoffman spelled out the kind of ticket he wants for European union. He asked the council of the Organization for European Economic Cooperation for:

(1) By the end of this year-a regional monetary union to include at least France, Italy, and Belgium. The union would have convertible currencies, free movement of capital, a ban on import

(2) Between now and the end of 1950-real progress toward an economic union of all ERP countries. The steps

would include a drastic reduction of import quotas, moves to coordinate national trade, monetary, and investment

policies.

If Hoffman can get western Europe moving on his schedule, he will ask Congress next year to take the commodity ties off ECA dollars. He would propose that ERP countries be allowed to spend about two-thirds of the estimated \$2.7-billion for 1950-51 any way they want. ECA is willing to keep the commodity restrictions on the remaining one-third of the funds.

• Nuclear Union—Hoffman pins his short-run hopes for economic integration of Europe on a "nuclear union" approach. The start would be a monetary union of France, Italy, and Belgium. Later this union could take in the Netherlands and thus absorb Benelux (map 1). Western Germany and Switzerland might come in, too.

To get this nuclear union under way before the benefits of devaluation are lost, ECA has both a stick and a carrot. As the stick, Hoffman threatens that Congress will withhold all ECA money next year. As the carrot, he holds out the prospect of \$100-million to \$150-million as a stabilization fund for the union. Hoffman should get results by the end of the year.

• Its Chances—Will this union—now dubbed "Fritalux"—work? Many European economists are decidedly lery about its chances. They figure it could be hamstrung by escape clauses that would limit capital movements and allow for tariff boosts to offset the removal of import quotas.

They have other worries, too:

If West Germany is included in the union, the Germans will soon run the show. Germany is already taking over the Italian market, pushing the French aside.

Formation of the union will be the final step in a British withdrawal from continental Europe. France will be as exposed to Germany as it was prewar.

exposed to Germany as it was prewar.

Private cartels will step in to curtail trade with their own controls as soon as government restrictions are removed.

• Weak Sister—France, of course, is the weak sister in the proposed union. French dollar reserves are just about nil. They could be drained away in a few days if, say, a strike tipped France's trade balance with Belgium or Italy.

French Socialists and many Popular Republicans who now back Premier Bidault's new French government are suspicious of the Fritalux scheme. Although they will probably go along for the time being, they are worried about merging the inflationary French economy with the deflationary economies of Italy and Belgium.

• Ultimate Aim-Of course, an economic union of all the ERP countries

is what ECA is really shooting at. The theory is this: Industrial efficiency is the only answer to Europe's problem. For the area to survive, productivity must rise at least as fast in western Europe as in the U.S. What is needed is a single market. Mass production could then be based on mass consumption.

As the first step toward this wider union, Hoffman is asking all ERP countries to slash their import quotas this year. And Hoffman should get results soon. With Britain already carrying the ball for a 50% cut in quotas, it shouldn't be hard to get the other countries to follow.

But ECA's program for 1950 will be tougher to put across. To get the foundations laid for an eventual union Hoffman wants the ERP nations to:

(1) Coordinate their domestic fiscal policies.

(2) Strengthen the intra-European payment scheme by setting up either a central bank with pooled dollar reserves or a regional division of the International Monetary Fund.

(3) Form an intra-European commerce commission (patterned, perhaps, after our Federal Trade Commission) to supervise the gradual removal of all tariffs and other trade restrictions.

(4) Integrate new capital investments either through OEEC or a new agency.

• The Question—It's still a big question, of course, how much all this "unionizing" will do to help Europe balance its dollar accounts over the short run. There's a strong feeling both in Europe and in the U.S. Treasury that economic union won't help to close the dollar gap.

In Paris this week, some top OEEC economists raised other objections to European union. Their feeling is that Fritalux, or even a full western European union, is a half measure. They claim that western Europe is not a natural economic unit, that it would take 25 years of painful adjustments to make it work. Long before this point had been reached, they argue, communism

would have taken over in Europe.

• Atlantic Union—These economists maintain the only answer is an Atlantic economic union. Their view is that Washington should launch a move for a federation of the U.S. and Canada on one side and western Europe on the other. This union would involve a common currency and free movement of capital, goods, and labor. Then Europe could get the dollars it needs, and the U.S. the world market it wants.

There's Still Too Much Residual Oil

Increases in East Coast residual prices are siphoning off some of the western surplus. But it's not enough.

West Coast refiners are stuck with a 17.8-million bbl. surplus of residual fuel oil—more than half of which may never find a market.

Yet, at the same time, on the East Coast, prices have jumped from \$1.90 to \$2.08 a bbl. in the past month. One result: For the first time since the 1930's, residual oil is being shipped from the West Coast to the East.

However, over the last year or so, residual prices have generally declined until they are now competitive with coal. This, plus the jitters over labor trouble in coal, has helped influence eastern demand. Since last year East Coast annual consumption has risen 8.2-million bbl., most of which will be met by imports of 5-million to 7-million bbl. from the West Coast.

• Partial Solution—But East Coast buying is only a partial solution. It won't help the long-range surplus problem.

Residual oil is a byproduct of the refining process. It is, therefore, tied to the production of gasoline. The western refiners' problem springs from the fact that their oil, having a higher gravity, yields more residual than the U.S. average. This didn't matter during the war, despite the high output

of gasoline, for the demand for bunker fuel by Pacific shipping and railroads held the residual surplus to safe levels.

• Changing Pattern—In the past few years, though, demand patterns have changed considerably. After the war, the railroads began to dieselize at a rapid rate (and many residual-consuming steam engines went out). As a result, railroad demand has dwindled from 112,000 bbl. a day in 1946 to only 50,000 bbl. today.

Demands in other markets have dropped, too. Natural gas has cut into the industrial-fuel market. Military demand is dropping bit by bit. The Far East political situation has hit exports. • Price Margin-The East Coast market will take the oil but it costs from 60¢ to 80¢ a bbl. to get it from Los Angeles to New York. Under the pressure of lower oil prices elsewhere in the U.S., the barge price at San Pedro is down to \$1.25 a bbl., the lowest in any major port in the world. Last week the New York barge price went up from \$2.05 to \$2.08 a barrel. This widened the price margin between the two coasts again. It throws a slight advantage to the West Coast-although, on the whole, a tenuous one.

CITIES: DETROIT



1949 AUTO ASSEMBLY passed 1929 record last week (with 5,426,733 cars). But booming Detroit fears impending auto shutdowns.



POLITICS feels impact of U.A.W. Union mayoralty candidate George Edwards woos auto workers, urging cleanup for . . .



SLUMS which help breed Detroit's racial tension. Opposition to Edwards finds little direct support in . . .



BUSINESS CENTERS like Fisher Bldg. (left), General Motors (right). Auto makers usually ignore politics.

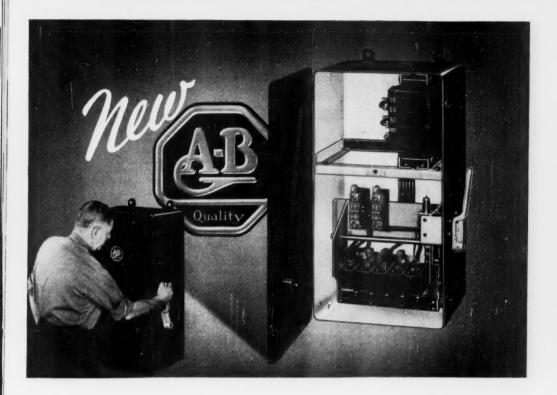
Everything Hums-If Autos Hum

In Detroit, where everybody lives, drives, and talks autos, city politics always have had to take a back seat. They have, that is, until Walter Reuther's United Auto Workers came along. Bit by bit, the U.A.W. has edged into municipal election fights. Next Tuesday's election will wind up U.A.W.'s most significant campaign yet—significant because it's a stage in

Reuther's drive toward union political action nationally.

 Candidates—The U.A.W.-backed candidate for mayor in the election is George Edwards, a young, active, ex-U.A.W. organizer. Last week and this, he sped from plant gate to union hall, strenuously trying to make Detroit political pundits, who say he will be defeated, eat their own words. Edward's opponent is Albert C. Cobo, who ran first in the primary in September, and is expected to do the same next week. Cobo, a short, drab man, and at present the city's efficient treasurer, has the support of downtown business groups, and the tacit backing of most industrialists.

• Beginning and End—In practice, however, Detroit's powerful auto industry is,



Quality Manually Operated Autotransformer-type starters



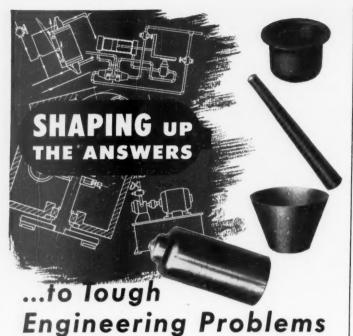
The combination of double break, silver alloy contacts and the arc hood construction permits air break operation for motors up to and including 75 hp, 220 v; 150 hp, 440-550-600 v.

Here is the first outstanding improvement in manual autotransformer-type starters in 25 years. These Bulletin 646 motor starters have an adjustable time delay which prevents careless operators from switching the motor too quickly to full running voltage. This is accomplished by a time delay interlock which prevents the starter lever from being thrown to the run position until the motor has accelerated for several seconds. The mechanism is simple in design...all parts are easily accessible.

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CONTAINERS FOR LIQUIDS; GASES AND SOLIDS

as always, keeping its hands strictly off the practical aspects of politics.

Yet, in every way but politically, autos are the beginning and end of the city's life. The industry employs directly nearly 350,000 of the city's population. In its orbit revolve hundreds of satellite companies.

Nearly every back alley in Detroit can boast of at least one grimy little machine shop that has an automotive firm as its principal customer. Under the single heading, "toolmakers," the Detroit telephone book lists over 400 concerns. Added to these are the suppliers of metal parts, rubber parts, plastic gimmicks, thousands of other items.

I. Auto or Nothing

The auto has become so all-encompassing that the city has almost lost interest in diversifying its industry. It was the competitive advantage gained by being near a big automotive customer that was behind the origin of most manufacturing companies now in Detroit. And today there is hardly any other reason why a company would set up shop there.

• No Inducements—An out-of-town industry weighing a move to Detroit would find no inducements to take the plunge—no tax concessions, no special utilities rates. Near-in plant sites are hard to come by. Harvey Campbell, executive vice-president of the Board of Commerce, says: "I doubt if there are 50 acres of plant sites within the city limits. Sure, you might see a lot of vacant lots, but most of them are owned by companies that are already here, and are being held for future development."

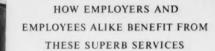
Plant sites can be found on the out-



DETROIT STORY tells of G. M. executive too big for his boots: His boss takes him to window, points to "D" on corner of G. M. building. It stands for Will Durant, G. M. founder, who lost control just as building was finished.

28

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Sales Manager...

Exactly! 9 out of 10 shoppers use those 'yellow pages' when they're ready to buy. We'll have a better chance of getting them to our dealers if we use Trade Mark Service to show them the way.

Why not bring up Trade Mark Service at your next advertising or sales meeting? You may find it just the sales tool you need for your organization.



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skirts of town. But even here, a company would find no drum-beating organization of the sort common in cities less engrossed in a single industry to help get one cheaply.

Similarly, any concern planning a large plant (say, 5,000 employees or more) would find itself competing in a tight and expensive labor market. The average weekly Detroit wage for July, 1949, was \$67.11 as against a national \$54.67.

• Tough Trade—No one sets up shop casually to sell to the auto industry. Experienced vendors (in Detroit, companies that sell to automakers aren't suppliers, they are vendors) know the rigid requirements of their customers.

Auto building is an industry that survives by doing the impossible—by selling the man in the street the sort of complex machine that, on any normal basis, would be an industrial tool or a rich man's luxury. The struggle to do it has made the trade the toughest and most cost-conscious in the world.

II. Destiny By Coincidence

Why did Detroit become the center of the automobile industry?

Located 60 miles north of the main east-west rail trunk lines, the city, except for its river location, had no natural advantage.

• Bright Past—Before 1900, Detroit was just another midwestern city. It had a normal run of diversified industries: stoves, wagons, textiles, furniture. And it had a bright past. Founded in 1701 by Le Sieur de la Mothe Cadillac (who, present-day historians believe, had little more right to his title than Prince Mike Romanoff), it prospered as a trading root.

By its situation on the Detroit River, a narrow strait between Lake Eric and

Lake Huron, it rapidly dominated the water traffic and rich fur trade.

By the late 1800's, the city was already used to a pattern of booms and busts—in iron, land, and lumber.

• Turning Point—It seems to have been sheer coincidence that turned Detroit toward autos. One day in 1896, Charles King's first horseless carriage spluttered and stank its way down Detroit's woodblock streets—and by 1897, Robert Olds had formed his Oldsmobile Co., and by 1902, Cadillac was born. In 1903, Henry Ford and Buick became corporate entities. Maxwell started in 1904, Graham in 1905. Then came Hudson and Lincoln (1909), Chevrolet (1911), and so on. As one prospered, others followed.

It was an era of high, wide, and handsome speculation, and even bigger talk when the early tycoons got together in the Pontchatrain Hotel bar. As the automobile manufacturers grew, companies vying to sell them goods grew. Output soared. Detroit's factory products were worth \$90-million in 1899. In the next decade the figure nearly tripled—to \$252-million in 1909. The next ten years saw a seven-fold boost; in 1919, output was \$1.8-billion. After that, progress was steadier; in the late thirties, output was about \$3-billion.

The war brought another great expansion. Last year, greater Detroit turned out factory products valued at nearly S8-billion, and paid its workers \$1\frac{1}{2}\$-billion in wages. Last month, before the steel shortage caught up with it, Detroit was turning out 140,000 to 150,000 antos a week.

 Banking Center—It was in the period between two wars, also, that Detroit grew as a major midwestern financial center, with turnover second only to New York and Chicago. At the end of 1948, Detroit's bank deposits totaled some \$2.6-billion, against \$758-million



WORKERS at end of day's shift pour out of Dodge plant gates, homeward bound.



EXECUTIVES at end of day's work pour into meeting spot, Detroit Athletic Club.



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USED-CAR CENTER of Detroit extends for miles along Livernois Ave. In its own realm it's as important as auto factories, as it sets national trends for used-car dealers.

at the end of 1937. In 1948, as an indication of business activity, checks drawn on Detroit banks totaled \$38-billion, against \$11-billion for 1937.

As president of the National Bank of Detroit, Charles T. Fisher, Jr., (cover) stands as a sort of symbol of the city's financial coming of age. After World War I, when Detroit's industrialists needed credit, they usually had to turn East—to the great banking houses of New York. Now, after World War II, Fisher and his fellow Detroit bankers are able to take care of them.

III. Managers, Leaders, Workers

Detroit's unparalleled, almost fanatic concentration on a single industry has given it a character all its own. It is a city with immense energy and practically no charm. It is a city with almost no middle class. Its political life, almost its whole municipal life, apart from autos, sometimes seems drained of vitality by the drive of the industry.

The city—and the industry—are dominated and shaped by three sets of men: • A group of business executives unmatched anywhere in industry for passionate drive, fierce competence, and singleminded devotion to turning out and marketing a product.

• A parallel set of union leaders who exhibit almost the same characteristics as the businessmen they negotiate with —plus an intense political consciousness.
• A turbulent, unassimilated labor force, racially mixed, much of it drawn into

Detroit in recent years.

• The Executives—Sparkplugging Detroit's industrial engine are the auto executives. They work under a pressure of fierce competition—competition among companies and competition in

side company executive ranks. It's a competition in competence; each knows that one big mistake might put him out of his \$50,000-a-year (or up) job tomorrow. Yet they also know that nowhere, except perhaps in New York, Chicago, or Hollywood, are the chances of rewards from hard work so great.

Of the old generation of rough-andtumble, ruggedly individualistic automen, few are left. Their last stronghold is Chrysler Corp., and their archetype is K. T. Keller, its president. Keller believes that the end and aim of an autocompany is to make autos, and everything else is folderol.

The new generation of executives is cut more from the pattern of Charles Fisher. Their edges are polished and their backgrounds broad. But almost without exception they have come up through the industry, and they still live, eat, and dream automobiles.

They work late and long. The General Motors building has a special executive bedroom wing for those who prefer not to go home. When they do get home, it is to Grosse Pointe, Palmer Woods, Bloomfield Hills, or to a gentleman's farm in the country. They snatch lunches at the Detroit Athletic Club, the Recess Club, the Detroit Club, or their company dining rooms. They relax at golf, sailing, or a football game at Ann Arbor.

• Union Chiefs—On the other side of the fence in Detroit's personnel picture are the labor leaders. In their own way, they are as devoted to their jobs as the top management men are to theirs. Many of the U.A.W. leaders are collegebred, with a solid background in both social philosophy and union organizing. They live quiet family lives in the suburbs. United Auto Worker president



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One thing led to another and directly Bill was telling me he wanted to take out some life insurance. Asked me what kind he ought to buy.

I asked Bill how much insurance he already had—and you could have knocked me over with a feather when he told me none at all.

The next few days after I'd talked with Bill I made it a point to talk with our other employees. Much to my surprise I found that only 11 out of 21 employees carried any life insurance at all.

It seemed to me that men with big families in our own organization were skating on pretty thin ice. So I called in our Travelers man right away. In no time at all, he set up a plan to provide every one of our people—executives included—with \$3000 of Life insurance protection. With all of our employees are assured of a \$3000 estate, and the plan costs us about \$545.00 a year.

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Walter Reuther makes \$10,000 a year; no other official makes as much.

Despite its record of labor strife, Detroit has been remarkably free of labor racketeering. Most executives agree that the labor movement-even as the auto industry itself-has matured in the last 15 years; they never expect to see a repetition of the great organizing strikes of the '30's.

• The Workmen-At the base of Detroit's life is its great, sprawling population. As the city grew, it gulped in hordes of hungry from everywherefrom Poland, Canada, the hills of Tennessee and Kentucky, and from the slums of less prospering cities.

It is this teeming, unassimilated population that gives Detroit its reputation for strife and turmoil. And the nervous, impersonal quality of work at an inexorable production line contrib-

utes to the edgy tension of Detroit.

Of greater Detroit's present population of 2.7-million (1.8-million within the city limits alone) nearly 500,000 came from poorer areas of the South.

Some 300,000 Negroes live in Detroit. Most of them live up and down the east side spine of the city in an area ironically dubbed "Paradise Valley"-a shabby, dive-ridden slum, where the tunes of jive and honky-tonk jangle from the juke boxes morning and night. It is the third largest Harlem in the nation -after New York and Chicago.

Often, as the Negro slum overflowed into neighboring slums populated by white southern emigrants, tempers flared. And sometimes they boiled over, as they did one spring night in 1943 in

a riot which left 34 dead.

The largest single etlinic group in Detroit is the Poles, some 350,000 of first and second generation stock. The center of this population is Hamtramck, an independent township of 65,000, fully surrounded by Detroit but not a part of it. Here store signs are bilingual, and Polish is heard as often as English.

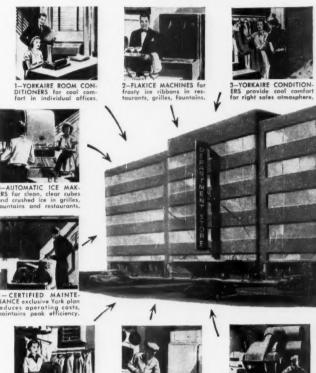
IV. The Physical City

The net result of Detroit's agglomerate population is that it has little civic pride—and, in a purely physical sense, little to be proud of. For every 1,000 citizens, for example, Detroit has only one acre of parks, compared to Chicago's 11 and New York's 12

• One New Building-Even downtown Detroit has a look of the past. Last week sidewalk superintendents were watching steamshovels turn ground for a nine-story addition to the Federal Reserve building. It will be the first major structure put up in downtown Detroit since 1929. Thus, Detroit has no new office buildings comparable to those in Houston or Los Angeles, no new hotels of the calibre found in Cincinnati. On the other hand, Detroit

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has built homes for over 15,000 families in the last two years-most of them on inexpensive tracts of land on the outskirts of town.

• The Plants-On the north-south spoke of Detroit's wheel. Woodward Ave., three miles from the city hall, lie the General Motors and Fisher buildings. And dotting the face of Detroit, like pieces left out of a jigsaw puzzle, are the great auto plants. In one two-mile area on the East Side are five plants with 75,000 employees. On the West Side the rows of smokestacks at Ford's gigantic Rouge Plant dominate the skyline for miles.

Detroit's principal nonautomotive in-dustry is chemicals. The big plants of Wyandotte, Pennsalt, Solvay, and du Pont are located over a salt vein down the Detroit River from the Rouge. Reichhold, another big chemical maker, has a plant just beyond the north edge

of the city.

. No Night Owls-For all its size (it's the fourth or fifth biggest city in the U.S.-depending on how Los Angeles makes out in next year's census), no one would call Detroit sophisticated. Outof-town sales managers, topping off the day in the Book-Cadillac or Statler bar, have little to look forward to in the evening, unless they have been invited out to a local friend's house. The city has no first-rate nightclubs, and eating spots comparable to the best in New York, New Orleans, or San Francisco can be counted on one hand.

On the other hand, Detroit is a big sports town. It enthusiastically supports the Detroit Lion's professional football team, the Detroit Tigers baseball team. Its people bowl, sail, and jam the highways to Ann Arbor for Michigan U.

football games.

In fact, Detroit's streets are normally iammed on almost any occasion. The city's traffic problem is one of the most acute in the country-which seems like poetic justice to harrassed traffic officials elsewhere. There is one car for every 4.2 citizens, and motorists are noted for driving with abandon. Expressways to outlying areas are in the works, but no traffic-easing plan has been adopted for downtown Detroit.

V. Vulnerable Future

What's ahead for Detroit-next year. and after that? The answer certainly lies in its one-industry character. Detroit is not diversified. Chances are it never will be. And Detroit, moreover, is the hub of a tightly-knit one-industry industrial complex. Satellite cities like Flint and Pontiac make autos and auto parts, nothing much else.

As long as autos rocket along, everything is rosy in motordom. If autos skid. Detroit, Detroiters, and Detroit's

satellites will skid with them.

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"C"	Yes	Yes	Warning Device	Fair	½ Hour	Limited, with work	1	*
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BUSINESS BRIEFS

More cuts in air fares: TWA has followed American in asking CAB to authorize transcontinental air-coach service (5110 one way). United will probably go along next spring if CAB approves. United—following Pan Am's lead last week—has already asked CAB to approve commuter rates from the West Coast to Hawaii (\$130 one way).

World's biggest truck terminal, opened in Manhattan this week by the Port of New York Authority, will take 25% of the over-the-road truck traffic off New York City streets. It will consolidate freight from interstate carriers, sort the goods for local distribution by small trucks. The authority plans a still bigger truck terminal in Newark, N. J. (BW—Nov.13'48,p72).

British Ford prices here have been cut \$379 to \$543, thanks to pound devaluation. You can now get a two-door Anglia in New York for \$947.

The Niagara River can produce three times the hydroelectric power it now does, says an FPC report. To tap this unused power, the commission proposes a project that would cost between \$308-million and \$350-million.

Reynolds Metals will pour S8-million into expansion of its Alabama aluminum operations. This will mean increased output of foil, rod, and electric cable, and the hiring of several thousand new employees.

Another storage-battery plant will be built by Globe-Union, Inc., in the South (BW-Jun.19'48,p86). It has picked Reidsville, N. C., for its four-teenth factory all told. Production of 1,500 batteries a day will get under way early next year.

G. M. is adding another 500 workers to the 1,000 employed by the Electro-Motive division's switching-locomotive plant. By April its output of diesel switchers will have been upped from 11 units a week to 16.

The Fruehauf Trailer plant in Kansas City, Kan., will be shut down next month. Fruehauf wants to consolidate operations in Cleveland, whither it is moving the Kansas City plant's \$400,000 worth of tools and machinery.

The electric power reserve will be bigger this year than last, reports the Edison Electric Institute. During the yearly peak load in December, the nation's reserve generating capacity will be 11.5%. Last year it was about half that.



American tourists help finance the rebuilding of France

Probably 200,000 Americans visited France this year. As they visited medieval cities and chateaux, sampled glories of cathedrals and museums, and made the rounds of gav Paree, they spent about 150 million dollars.

Thus France's heritage of beauty and culture is today a principal source of the dollars she needs for post-war rebuilding. Her exports to America - objects of art; wines, brandies and liqueurs; lace: French couture; perfumes and other specialties-bring in millions more, about 74 million dollars in 1948.

American shipments to France - wheat, coal, iron, steel, cotton, petroleum products and other necessities - amounted to 586 million dollars in 1948. These American goods helped vitally in French reconstruction.

People doing business in France are invited to consult the Paris branch of the International Banking Corporation (affiliate of The National City Bank of New York), 52 Avenue des Champs Elysées Or, call or write Overseas Division of NCB at Head Office.

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Steel from American mills has played an important role in the rebailding of France.



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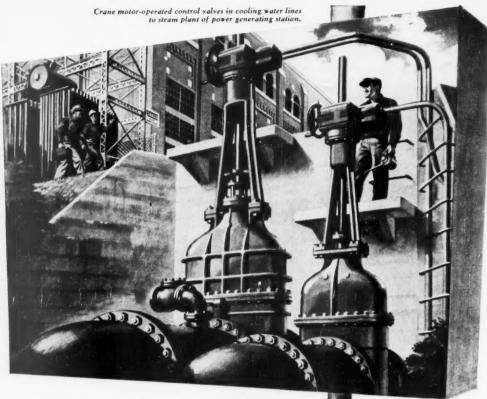
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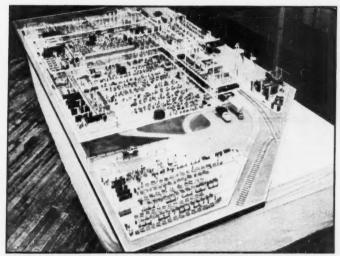




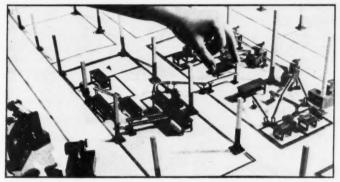
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PRODUCTION



AS BUILT, "Visual" Planning's model of plant follows blueprint. Later it is . .



REARRANGED by industrial engineers to arrive at most efficient production scheme.

Model Plants in Mass Production

"Visual" Planning Co. turns out miniatures of plants and machines for use in advance planning of industrial plants.

Three years ago in Pittsburgh, a worried hotel manager had tenant trouble. Upstairs, in a \$4.00 room, a guest had taken in 14 roommates, the bed had been moved out, and in 2 weeks the phone bill was close to \$100.00.

• Cramped Start—The bedless bedroom was the practical beginning of "Visual" Planning Equipment Co. Organized by Homer H. Dasey, the business had been founded with the idea of mass producing scale models of production lines and factories for industrial planning. But, shortly after it was set up, its backers backed out; the company was without an office or working space. So, to fill initial orders, Dasey and his model builders went to work in the hotel room.

Today, the company is settled in a plant at Oakmont, Pa. It has already turned out \$250,000 worth of models for hundreds of firms. Probably its biggest job to date is a model for Magee Carpet Co., consisting of 20 different plants and 28,000 model pieces.

• Blindspot—What started Dasey on his models for planning was the realiza-

When you think of PITTSBURGH



Pittsburgh's famous "Golden Triangle"—principal business district—is undergoing spectacular "face lifting." The new Point Park, for which 36 acres have already been purchased, will be bordered by distinctive commercial buildings. New skyscrapers soon to be erected include the world's first all aluminum office building. New parkways will simplify traffic.

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tion that there was often a blindspot between a stack of blueprints and the actual layout of a production line. Blueprints show only lengths, widths, and tolerances of the layout; engineers have to rely on imagination to visualize how the plant floor will look in three dimensions. Thus, when the actual plant is set up the layout often shows obvious mistakes.

With a model of the plant, though, an engineer can usually see where his blueprints have gone wrong. And it's at the blueprint stage that Dasey starts. Given a client's plans, the company builds a scale model of the complete production line or factory. The model duplicates building construction, machine tools, materials conveyors, and even employees at their machines.

· Moving Day-When the model is finished. Dasey turns it over to his client's planning engineers. Personnel from various departments of a company get together over their model and work out the final layout. By moving the tiny machines and conveyor systems around in a given amount of floor space, planners are able to foresee possible bottlenecks in production and materials handling. Sometimes even a few dimensional errors in the blueprints show up when engineers begin setting up the

· Costs-The use of scale models to plan plant layouts is nothing new. Many companies work up handmade miniatures to design special installations. But in these instances costs, generally, are high.

"Visual's" mass-production techniques, however, bring models within the range of the small manufacturer. Cost of modeling a bare plant of 1,000 sq. ft., for instance, is only \$10 ("Visual's" standard rate is le per sq. ft.). To furnish the plant with, say, 500 pieces of equipment, would cost \$750. Regardless of how easy or complex a scale model may be. Dasey charges \$1.50 each for each machine, device, or worker.

Floors of a "Visual"-built model are cut to size from a sheet of transparent polystyrene plastic. Then they are scored with a continuous 1-in. graph over the entire area. This provides an exact method of measuring floor space. Once the floors have been built into a complete plant, an inventory of model equipment is made up to furnish the plant.

• Index-"Visual" Planning has its own unique system for reproducing this equipment. It was obvious from the start that model builders couldn't go into a client's manufacturing plant and measure each piece of machinery. Yet a client's blueprints for a production line will show only the length and width of a machine, not the height and not the over-all detail.

For about two years "Visual" Planning collected catalogs of machine-tool and allied equipment manufacturers. Plans of equipment taken from catalogs, and occasionally from hard-to-get blueprints supplied by a manufacturer, were reduced to a standard 4-in. scale. The company's index of plans for machines and other equipment is now more or less the backbone of any model that goes into the works. Company craftsmen will usually find in the index plans for any machine they may run into in a client's blueprints.

• Common Shapes-Dasey's idea all along was to mass produce his models. So, when his index was fairly complete. he made a survey of the plans he had gathered. He found there were about 500 shapes common to all machines. Three or four of these shapes formed in cast lead, wood, or plastic could make almost any machine. Thus, it was simply a matter of running off stocks of these common shapes to put his model building on a production basis.

Occasionally, of course, Dascy runs into pieces of equipment that aren't in the plan files. When that happens he easts the model from specially prepared rubber molds built from a master

Under the present system, "Visual" Planning craftsmen can refer to the files and pull out plans for any one of almost 6,000 different machines. Parts are also stocked for about 10,000 model pieces, such as fluorescent lights, mimeograph machines, file cabinets, and sewing machines. Before delivery, models are color-coded according to standard

methods to suit the customer. • Teaching and Selling-Lately customers have bought "Visual" Planning models for reasons other than industrial planning. Some universities are using the models for instruction in engineering courses. Models have cut instruction time by 50% in some cases. The Navy Dept. has contracted for models to help plan more flexible and varied training courses at reserve stations where training space is limited.

Cherry-Burrell Corp., Chicago, a dairy and food equipment manufacturer, uses a model kit in each of its 25 district offices for selling as well as plant planning. Using a model kit, Cherry-Burrell sales engineers get together with a prospective customer and work out initial planning problems. The company says the models cut its planning time by four-fifths. It now makes only one drawing for a customer's layout instead of five to eight trial-and-error sketches.

• Slow to Take-The use of models for industrial planning has been slow in catching on with planning engineers. Frequently it takes "Visual" Planning two years to sell them on the idea of models.

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What's Under the Ground?

Gulf Oil Corp's new laboratory utilizes geology, geophysics, and other sciences to find out where the oil is. Technological advances are taking much of the guesswork out of wildcatting wells.

Every 13 minutes a new oil well is drilled; every 23 minutes a new producer is brought in. That means that the petroleum industry is batting about .500 in its search for new oil fields.

Those figures, reported by the American Petroleum Institute last week, underline just one thing: Technological ways of sizing up what's underground are paying big dividends.

• New Lab-Last week, Gulf Oil Corp. let industry in on how it's contributing to that scientific progress. The company dedicated its new Leovy Laboratory of Geophysics at Harmarville, Pa. Named for the late Frank A. Leovy, a pioneer in the adoption of scientific methods in oil exploration, the plant houses 126 laboratories and offices. It cost \$1.5million

• The Need-Oil consumption today averages 2,900 gal. a second, old wells are drying up at the rate of one every 41 minutes

But it's not enough just to locate new oil. The trick is to locate it efficiently. Just plain drilling gives you a 1-to-30 chance of finding oil; using geological instruments reduces the odds to 1 in 10; combining geology and geophysics gets the odds down to better than I chance in 4. Since wildcatting a well can cost up to \$1-million, the pressure to take the wildness out of wildcatting is great.

· Geophysics-In its new laboratory, Gulf Oil will concentrate on what geo-

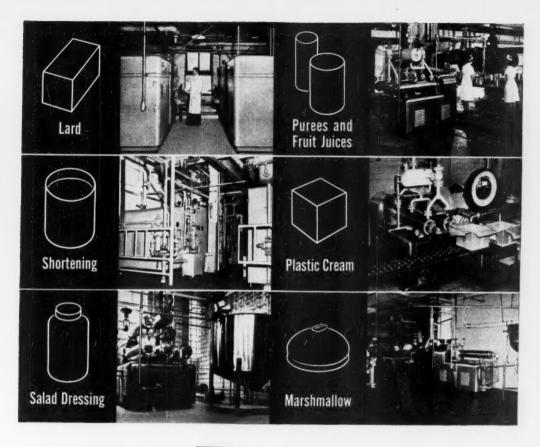
physics can do for oil exploration. Geophysics is a science that deals with the agencies that modify the earth, as compared to geology, which is a history of the earth.) The Gulf plant includes laboratories for developing gravity, seismic, and magnetic instruments: other laboratories will study interpretation and mapping of field data.

• Electronic Field-One of Gulf's proud possessions is an "electronic oil field" (picture, above). This analog machine foretells with considerable accuracy just what will happen in an oil-producing area for as long as 20 years ahead. It makes use of the phenomenon that a current will flow through a sensitized material in a manner very similar to the way a fluid (oil, gas, or water) flows through a porous material-like sand.

The researcher puts into the machine factors that simulate-in relationship and proportionate distances apart-the wells under study. Then he "pumps" an electric current into the input wells. He gets an electrical answer to what happens in the output wells.

The answers tell him whether it would be worth while to pump gas or water into an oil well that is running dry. The device even predicts what will happen to a producing area if water gets into the field from adjacent waterbearing strata.

• Instruments-Besides such fancy devices, Gulf is also working to develop



Food Forethought

High on the list of Votator Division customers are many of the nation's outstanding food processors. Very early, these firms recognized the profit-potential in continuous processing a la Votator.

That forethought has paid off in upgraded products and increased profits.

Take margarine manufacture, for instance. Old-fashioned "wet" or roll methods were slow, tedious, and expensive. They resulted in a product of non-uniform quality. Then came Votator processing apparatus . . . providing continuous, closed, instrument-controlled

operation and a uniform product of consistently high quality. Yields increased and labor costs dropped. Operating expenses and capital investment were lower than any other process or manufacturing method.

Little wonder that, today, more than 85% of all margarine produced in the U.S. is made with Votator margarine manufacturing apparatus.

It's the same story with other food products. Manufacturers of lard, salad dressing, plastic cream, marshmallow, baby foods, quickfrozen juices—all have found Votator processing apparatus a sound, practical, profit-making investment.

How about your own food product? Votator's design-engineering-installation service can very likely change *your* processing problem into processing profit! Arrange to talk it over, soon, with a Girdler-Votator engineer.

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BUSINESS IN MOTION

To our Colleagues in American Business ...

The brewing industry has been in an expansion and modernization stage since the end of the war made copper freely available to it once more. New breweries are being built, and older ones enlarged, in order to meet the increasing demands of the public. As a result, the coppersmiths who fabricate brewing equipment have given Revere large orders for copper sheet and copper tube, which they turn into such items as brew kettles, mash tubs, lauter tubs, wort tanks,

cookers, water heaters, and piping. Because the brewing of beer is necessarily done on a large-volume basis, the equipment is correspondingly huge. Orders for several hundred thousand pounds of copper are not unusual.

Though the brewing people thus are

large users of Revere copper, they are not direct customers; the Revere customer is the coppersmith who fabricates to brewers' specifications. Nevertheless. Revere keeps a friendly hand outstretched to the brewer. Lately we have talked with quite a few brewmasters, and have found the same outstanding loyalty to copper that existed before the war and which has, in fact, been a feature of the brewing industry from its beginnings centuries ago. One master brewer, for example, said: "In planning the mammoth new installations for our \$12,500,000 expansion program, copper was chosen because it is the most ductile

metal for the fabrication of speciallydesigned brew kettles and related equipment; in keeping with time-honored traditions."

Brewing is, in fact, a remarkable mixture of tradition and science. Beer and ale are among the oldest of man's beverages, and all the evidence indicates that copper, probably man's first metal, has been used since the beginning. This ancient art relied upon the rule of thumb, experience, for centuries. It is now under

a large measure of scientific control as well, the brewmasters' high talents being supported and confirmed by laboratory checks of materials. It is therefore especially gratifying to Revere that copper continues to be the metal preferred by brewers.

There is an old saying: "Be not the first by whom the new is tried, nor vet the last to cast the old aside." What is important, however, is not newness and not oldness, but suitability. A material may be new as tomorrow's sunrise, yet suitable for only a few applications. It is part of every manufacturer's task to study the old as well as the new, and be certain he is neither unreasonably wedded to tradition, nor unwisely eager to change for the sake of change. In making such studies he can and should call upon his suppliers, who, like Revere, are always glad to provide the latest and fullest information about their materials.



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Magnetic instruments. These translate variations in the earth's magnetic field into electrical impulses. They are used in the ground or in the air.

Adding Up—Then the expert combines the data these tools give him with geological knowledge. He maps the gravity data: translates the seismographic wiggles into terms of geologic structure; plots the magnetic data on the maps. (Magnetic highs usually indicate uplifted rock masses or magnetic rock—deciding which is which isn't easy.)

With this map to work from, the geophysicists take over, figure out just where the oil-producing areas should be.

• Headstart—No method, of course, actually spots oil. All the exploration and interpretation can do is to fingerprint the area minutely, give the scientists an accurate picture of what lies below the ground. Given that story, the oil man has a headstart in figuring where to find oil—and whether the field is promising enough to sink some exploration money in.

PRODUCTION BRIEFS

A 170-mile natural gas pipeline between Greenbriar, Tenn., and the Oak Ridge Atomic Energy Plant goes into service in December. Power generation will take most of its daily capacity of 230million cu. ft.

A new dust tunnel at Fram Corp., Detroit, replaces lengthy road tests to see how well the company's auto filters work. The rear wheels of testing car or truck power a fan that circulates dust through the tunnel.

A recording spectrophotometer developed by General Electric distinguishes the differences among 10-million colors. It has been used already for standardizing colors of the American flag—and matching false teeth.

The new open-hearth setup at Armco's Middletown (Ohio) steel plant will cost \$12-million. When completed in 15 months, its three 225-ton furnaces will turn out 400,000 ingot tons annually.



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the extra efficient power plant with the valve-inhead design that's setting the trend for the automotive industry.



FISHER BODY STYLING AND LUXURY

long, low lines . . . smooth, graceful curves . . . new interior richness—exclusive to Chevrolet among all low-priced cars.



CERTI-SAFE HYDRAULIC BRAKES

more outstanding than ever for swifter, safer stops and new Dubl-Life Rivetless brake linings that last up to twice as long.



CURVED WINDSHIELD with PANORAMIC VISIBILITY

supplying all that extra vision ahead and at the sides, which means extra safety in driving—another Chevrolet "exclusive" in its field.

EXTRA ECONOMICAL TO OWN AND OPERATE



CENTER-POINT STEERING

giving maximum drivingease with minimum driver fatigue and found elsewhere only on costlier cars.

LONGER, HEAVIER, with WIDER TREAD

the big car in the low-price field giving more ridingcomfort, more road-steadiness and more safety.

5-INCH WIDE-BASE WHEELS plus LOW-PRESSURE TIRES

the 'widest rims in the lowprice field—plus extra lowpressure tires—for greater stability and riding-comfort.

FISHER UNISTEEL BODY CONSTRUCTION

with steel welded to steel above, below and all around you for greater solidity, quietness and safety.





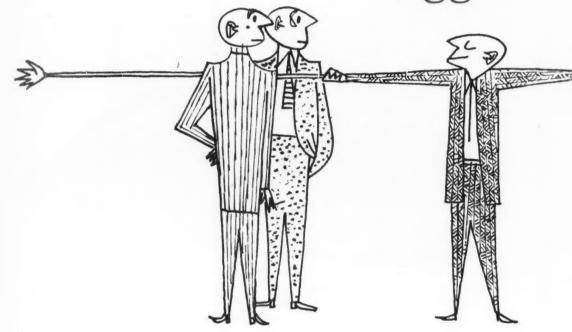




CHEVROLET MOTOR DIVISION, General Motors Corporation, DETROIT 2, MICHIGAN

These EXTRA Values are exclusively yours at lowest cost in Chevrolet

It's even bigger than bigger



Each time you look at radio it's bigger. You turn your head away and before you turn it back it's bigger than ever.'

Radio is bigger than anything bigger than magazines, bigger than newspapers, bigger than both of them put together.

Yet in measuring the bigness of radio, people still use obsolete yardsticks.

Yardsticks, for example, which compare the circulation of a *whole* magazine with the audience of a single network program.

(It's like saying my apple-tree is bigger than your apple, as *Variety* recently put it.)²





Or take a yardstick like "cost-per-thousand listeners." In radio a more realistic gauge is "cost-per-million." In radio there is no such thing as only "a thousand" listeners. (It's like using a ruler to measure the distance between the stars.)

Sometimes the only way you can tell anything is bigger than anything is by discovering that it's smaller. The cost of customers delivered to advertisers in network radio is smaller than in any other major medium.

And CBS is both bigger and smaller than anything in radio—bigger because it delivers more millions of listeners to advertisers than any other network; smaller because it does so at the "lowest cost-per-million."

CBS

The Columbia Broadcasting System

- ¹ People are buying radio sets at the rate of 650,000 a month!
- ² CBS reaches 34 million families each week! The country's largest magazine has a readership of about 15 million families per issue.
- CBS' "cost-per-million" actually delivered to advertisers comes to only \$1670 or one customer for one-sixth of one cent!



press keeps constant track of each one of its hundreds of line-haul tractors and semi-trailers all the way from California to the Mid-West.

Pictured above is the P.I.E Central Dispatch Board in Denver, Colorado. Kept current by leased-wire dispatches throughout the day, it shows where each P·I·E unit is; whether loaded, in process of loading or unloading, out on pickup or delivery, in line-haul transit, or available for immediate use. The contents of each loaded trailer to the nearest 1,000 pounds are shown separately for each destination on P.I.E's lines.

A shipment can be traced in a few hours because the Board shows the location of the trailer in which it is moving.

Centralized control—undivided responsibility!— two more reasons "Shippers agree it's P.I.E!"



NEW PRODUCTS



Die Handler

An industrial lift truck, designed by Automatic Transportation Co., lifts and carries dies weighing 80,000 lb. It can handle heavier loads up to 110,000 lb.

The die-handling truck carries its load on a platform 93 in. long and 69 in. wide. From a starting position 26 in. off the ground, the load can be lifted to a height of 60 in.-at the rate of 2.7 ft. per minute. The truck itself measures 85 in. wide, 184 in. long.

A 72-volt battery powers the machine. Operating it is a simple push-button job. A winch attached to the truck moves dies on or off a stamping press. The winch is also controlled by pushbuttons on both sides of the truck

• Source: Automatic Transportation Co., 149 W. 87th St., Chicago.

· Availability: 60 to 90 days.

Disc Cutter

Spearhead Cutter is a hand-operated tool that makes gaskets, washers, and discs from almost any pliable material. It cuts circular shapes ‡ in, to 6 in. in diameter from sheet materials up to & in. thick.

The cutter works like a drafting compass. A movable pivot post is set to the desired diameter on a graduated rule on the body of the cutter. The cutting blade is adjusted to fit the thickness of the material. Then the pivot post is pressed into the material, and the device is rotated to cut out the gasket or washer.

Odd shapes, straight strips, and shims are also cut quickly and easily with the cutter. A white guideline on the cutter ahead of the blade helps the operator follow a pattern outline more accurately

The 4-oz. cutter is made of phenolic plastic. It is guaranteed to stand rough treatment.

· Source: Zimmerman Packing Co., Cincinnati 12.

· Availability: immediate.

Portable Addresser

With Hever Corp.'s Portable Addresser you can print addresses simply by rolling the device over envelopes and postal cards by hand.

The printing stencil is a roll on which about 250 addresses can be typed. You load the roll into the machine as you would load a film into a camera. The printing fluid is stored in an easy-to-fill cartridge wick that stays wet for a full run. Each address will stand up under 100 or more impressions.

Up to seven lines of copy may be typed, for repeating messages on forms, tickets, slips, or cartons.

• Source: Hever Corp., 1850 S. Kostner Ave., Chicago 23.

• Availability: mid-December.

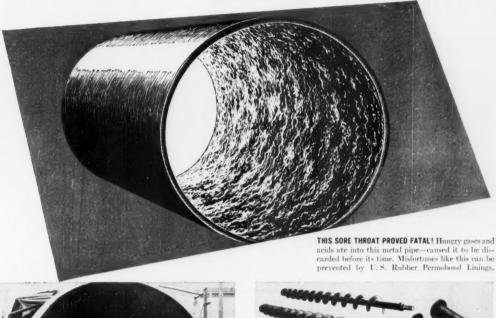
Butter Dispenser

Patty-Hander automatically cuts and dispenses pats of butter from its reserve supply of chilled 4-lb. prints. The device produces a butter pat that's soft and spreadable, without waste or han-

Prints of butter are fed two at a time into a magazine inside the container. The prints, in turn, are gravity-fed into the cutter. The container has room to store 8 to 10 quarter-pounds. A daily filling of cube ice in the center of the

PIPE KILLERS FOILED!

Gases and acids no longer chew up interiors of pipes
— thanks to U. S. Rubber's Permobond Linings





GIANT METAL THROAT is 27 feet in diameter, 108 feet long. Its protective lining of Permobond, installed right on the job, nullifies the corrosive action of acids, gases, chemicals and solutions.



NO SHAPE TOO UNUSUAL for Permobond. It is impermeable, and can be bonded and applied to almost any fabricated metal section, big or small, simple or complex, by our skilled craftsmen.

What's your particular corrosion problem? Our engineers will gladly discuss it with you. Very often these men can install and thoroughly vulcanize Permobond to existing equipment in your own plant. For full information write Mechanical Goods Division, United States Rubber Company, Rockefeller Center, New York 20, N. Y.







THE GREAT MIDWEST Land of Vast Resources and Industrial Opportunity

Also important, of course, on the Midwest's long list of resources, is the rich soil of its rolling prairies, as fertile as any on earth, constituting a source of assured agricultural prosperity as the foundation for Community Progress and Industrial Development.

The M. & St. L. Railway, proud to be a vital link in Midwest Transportation, offers efficient freight service, complete in detail, to manufacturers and distributors; and advantageous plant locations in thriving communities on its lines.

Fast Dependable Freight Service

Here are some of the things that make the Midwest great ...and an unexcelled location for Industry and Business:

CLIMATE Healthful and Invigorating

WATER

Pure and Abundant

Coal, Oil, Gas Close at Hand

Unlimited Supply, Steam and Hydro-electric

RAW MATERIALS Well-nigh Limitless in Variety and Quantity

MARKETS

Great Home Market and Easy Access to Vast Consuming Areas

POPULATION

Intelligent, Energetic People on Farms and in Towns

LABOR

High Percentage of Efficient, Skilled Workers TRANSPORTATION

TRANSPORTATION Network of Railroads

Network of Railroads Unsurpassed for Excellence of Service and Equipment

The Minneapolis & St. Louis Railway



container keeps the butter fresh and ready to use.

A turn of the lever cuts the pats of butter, ejects them from the bottom of the device. The dispenser can be set to cut from 72 to 120 pats of butter from one pound. A precision cutting knife in the machine is said to get the same number of pats from 3 lb. of butter that conventional methods do from 4 lb. A gage at the top of Patty Hander tells how much butter is left in the magazine.

Quick detachment of all operating parts permits easy cleaning.

• Source: Sales Engineering Corp., Portland, Ore.

• Availability: immediate.

P. S.

Leco-Latch uses a permanent magnet to keep cabinet and closet doors closed. The latch has two parts: the magnet; and a holding plate that is attracted to the magnet. The magnet mounts by screws in the top corner of the cabinet, the holding plate on the top corner of the door. The magnet's attraction for the holding plate keeps the door closed. The maker is Laboratory Equipment Corp., St. Joseph, Mo.

Tipless Porter, an adjustable frame on swivel wheels, makes it easy to haul any suitease, trunk, or packing case. An adjustable screw tightens the frame onto the suitease. Rubber-covered gripping posts on the frame prevent scratching. The maker is Parker Perry Co., 209 Van

Buren St., Lyndhurst, N. J. E-Z. Code Wire Markers are numbered pieces of adhesive for wire identification. The markers are made in sheet form, with perforated edges. The sheets come in a variety of sizes and coded-number and alphabet combinations. The maker: Western Lithograph Co., 600 E. 2nd St., Los Angeles 54.

Did you get CAUGHT SHORT last summer?

LAST SUMMER, the heat was simply awful!

You and your customers suffered. Your employees suffered. And your business suffered!

Last summer, many people tried to get air conditioning when the heat was on. But lots of them tried too late. For an installation just can't be made overnight.

Maybe next summer won't be so hot. But it *could* be! Anyway, there's sure to be another scorcher sooner or later. So remember this —

The best time to install air conditioning is during cold weather! In the winter months, costs are lowest and installation work can be done when it's most convenient for you.

Do it NOW and you'll have time to tell your customers – sell them on what you've done for their comfort. Do it NOW – and beat your competition.

Good air conditioning helps business all year round. Not only in August – but also when Christmas crowds make air stale and stuffy.

Carrier air conditioning is more than cooling. It's ventilation, circulation, cleansing, control of humidity, too.

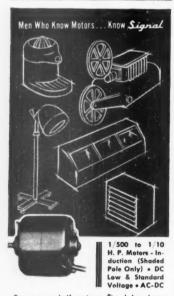
Your Carrier representative is waiting for your call. He's listed in the Classified Telephone Directory under "AIR CONDITIONING." He knows his business and has a complete line of equipment made by Carrier—the founders of air conditioning and the men who know it best. Carrier Corporation, Syracuse, New York.





It pays to do business in New York State!

There's a rich consumer market awaiting you in the Empire State. The income and savings of New York State residents are the highest in the United States. Write for more facts to: N. Y. State Dept. of Commerce, Room 179, 112 State St., Albany 7, New York.



for over a half century, Signal has been building fractional horsepower motors to the exacting specifications of designers and builders of electrically powered equipment.



MARKETING

Wages and Hours: a New Breakdown

Nonsupervisory Employees In	Average 1947	Weekly 1948	Earnings Aug., 1949	Weekly Hours Aug., 1949
Wholesale trade	851.99	\$55.58	\$57.36	40.8
General merchandise stores (depart- ment, mail-order, variety, dry goods, and general stores)	30.96	33.31	35.31	36.9
Department stores and mail-order				
houses	34.85	37.36	38.96	37.5
Food and liquor stores	43.51	47.15	51.17	41.1
Automotive and accessories stores	51.80	56.07	60.14	45.8
Apparel and accessories stores	38.08	39.60	40.85	36.9
Furniture and appliance stores	48.99	51.15	53.48	43.8
Lumber and hardware supply stores	45.20	49.37	52.39	43.9

New Check for Market Men

For the first time, retailers can find how their wages and hours stack up against those of their competitors. BLS clarifies distribution picture by breaking down figures by types of business.

As an employer, the U.S. merchant has never had many yardsticks by which to gage his own employment practices against those of other retailers and wholesalers. Now, the Bureau of Labor Statistics has come up with a new series of figures that will give marketing executives a pretty good check on their wage-hour setup (table, above).

The new series consists of a breakdown of average wages, hours worked, and number of persons employed in each of these categories: wholesale trade, general merchandise establishments, department stores and mailorder houses, food and liquor stores, automotive and accessories dealers, apparel and accessories stores, furniture and appliance retailers, and lumber and hardware supply stores.

hardware supply stores.

• Breakdown Needed-Up to now, BLS has lumped its statistical data for the entire field of distribution under one over-all figure. That meant that the automobile dealer, for example, couldn't tell whether he was paving higher or lower wages than most other dealers, or whether his men were working longer or shorter hours. The best he could do was to compare his workmen's wages and hours with the average for all workers in the field of distribution. The new breakdown shows him just how he fits-or doesn't fit-into the autodealer picture.

• Trade Indicator—The new BLS series may help marketers in another way, too —as a sort of supplementary indicator of the state of retailing and wholesaling, and as a means of determining seasonal patterns. To see how this might op-

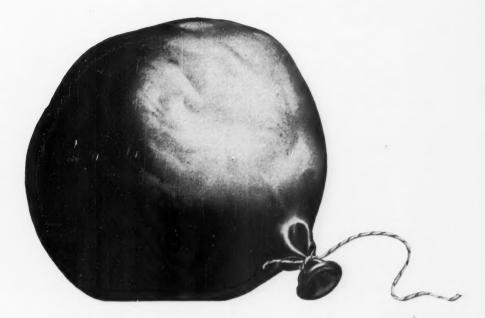
erate, take a look at what BLS reported for August of this year:

BLS said there were 9,206,000 persons working in retail and wholesale trade. Now suppose that this was all the data available—and it would have been until recently. An observer would have had to conclude that the increase of only 18,000 over the previous month meant that all parts of the distribution machine were moving along pretty much at the same stable rate.

• Divergence—The more detailed material now at hand shows that this isn't the case. Employment in wholesaling was up 52,000 from July to August. That was probably a reflection of the ending of the "inventory recession" that had hit business earlier this year (BW—Oct.22'49,p19).

Employment in retail trade, on the other hand, was down 34,000, mirroring among other things the hot-weather slack. And even within retailing, all was not bearish. Automobile sales were booming along so well that dealers had to hire 9,000 additional workers.

• Over-All Revision—BLS undertook the broadening of its trade figures as part of a comprehensive revision of its system of reporting employment statistics. Its own analysts in particular felt that breakdowns were needed, if only to enable them to plot the different seasonal patterns of wholesaling, retail trade, and the various subdivisions of retailing. In the request for its appropriation from Congress, the Bureau got considerable support from trade associations and from the U.S. Chamber of Commerce.



If your problem is deflation ... you might try more air

Why not be sure you're using air for all it's worth? Take a NEW LOOK at the Businessman's Airline.

If your sales balloon is beginning to show a slightly wrinkled surface, you've probably long since dusted off this somewhat-rustysince-the-'30's selling fundamental: "Call on customers more often; give them more and better service."

No executive need be told that time spent traveling can't be spent with customers. Nor must be be told that flying TWA is the time-saving way to travel. Yet he still may not be using TWA for all it's worth. For example:

Have you discovered how TWA recently re-scheduled its flights to primary markets to be more convenient for businessmen? Have you been planning itineraries to take full advantage of the many new non-stop 300-mph flights? Have your salesmen been sending heavy sample cases ahead by fast TWA Air Cargo for maximum comfort and convenience? Have all your salesmen been instructed to use air mail, air parcel post, and TWA Air Cargo for speeding credit inquiries, filling orders, shipping service parts? Have you discovered how close TWA brings you to key cities in Europe, Africa, the Middle East and Asia?

There may be several new ways TWA could help your business. But even if only one new angle turns up it will be well worth the short time your new look at TWA will take. A representative from your nearest TWA office will be glad to call at your request.

A FEW OF THE REASONS FOR GEARING YOUR BUSINESS TO THE BUSINESSMAN'S AIRLINE.

TWA Air Cargo helps you ...

Tighten inventory control Cut spoilage risks Fill reorders promptly Take advantage of demand peaks Reduce seasonal and style risks

TWA travel helps you ...

Cut "time on the road" Increase frequency of contact Broaden sales area Increase productivity per man Save weeks on trips overseas

Air Mail and Air Parcel Post help you...

Get bills out, payments back faster Expedite orders and deliveries Improve direct mail effectiveness

Across the U.S. and overseas ... you can depend on TRANS WORLD AIRLINE

U.S.A. · EUROPE · AFRICA · ASIA



Department Stores Flirt With Video Shows

It's one of the television industry's big disappointments that department stores haven't flocked over to the new medium. A lot of television people have looked on department stores as one of their bright hopes. TV, they figure, is a natural for showing off wares.

But so far Gimbel Bros., departmentand specialty-store retail chain, is one of the few that has gone in for video in anything like a big way. Its Phila-delphia and Milwaukee stores have used TV for some time. And now two of its New York City stores-Saks-34th and Gimbel's-are following up.

· Gimbel's Shows-This week Saks-34th went on the air over WABD by spon-soring the first 30 minutes of "Your Television Shopper." This is a onehour merchandise show that goes on the air five mornings a week. Star Kathi Norris will go into the store, display eight or 10 items on sale each day. The trade figures that the show is costing Saks about \$2,000 a week.

Gimbel's beat Saks on the air by about three weeks with a once-a-week TV show called "The Truex Family" over WPIX. In this, actor Ernest Truex and his family work plugs for goods into the script.

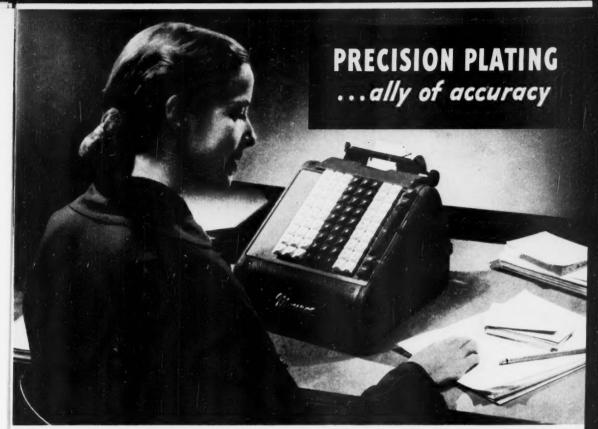
· Others-Another New York chain, Sachs Quality Stores, is also going in for TV. Next week it will begin sponsoring a Sunday forum-debate show called "The Voice of the People," also over WPIX. And some 50-odd department stores throughout the country are now plugging their wares through TV spot commercials.

But whether these plus the Gimbel-Saks and Sachs Quality shows constitute a long-awaited trend, remains to be seen. In fact, there are some who think that TV's really big future with department stores lies in intra-store closed-circuit video. This would make it possible for the store to advertise over TV sets scattered throughout the building, thus needle impulse buying.

LEVER'S NO-RINSE SOAP

Lever Bros. Co. took its own good time in getting into the comparatively new field of synthetic detergents. Once it got in, however, it developed plenty of momentum.

Last week Lever announced its latest venture in the synthetic detergent sweepstakes-a laundry cleanser called No-Rinse Surf. Clothes washed with this product, as its name implies, need no rinsing, says Lever. Now the company is launching a campaign to convince U.S. women that laundry can go straight from the original wash water to the clothes line, without a rinse.



MONROE ADDING-LISTING MACHINE



Udvlite automatic plating machine in use at Monroe's Orange, N. J., plant for cadmium plating. This unit occupies one-third of the space of the machine it replaced; has improved product quality, reduced "rejects,"

Close-meshing mechanical parts are plated to accurate dimensions by Udylite automatic plating machines at the rate of 5,760 parts per hour.

• For smooth, effortless operation—so vitally important to operators' accuracy—Monroe Calculating Machine Company electroplates many of its small moving parts with Udylite precision plating equipment. These automatic plating conveyors provide uniform finishes to laboratory exactness at high speed... truly putting precision on a production basis. Equally important, they cut time and costs... make the most of manpower and man-hours... and through compact design, utilize plant space efficiently.

If yours is a product where precision performance is a "must" (or where beauty and durability of finish are important considerations), look into this better way of plating. Write us today, giving essential details, and we'll have a Udylite Technical Man study your operations, and make specific recommendations—entirely without cost or obligation. The Udylite Corporation, Detroit 11, Mich.

PIONEER OF A BETTER WAY IN PLATING . . .

TESTED SOLUTIONS • TAILORED EQUIPMENT AUTOMATIC CONTROL IN METAL FINISHING





• When The Hoover Company revolutionized the nation's cleaning habits 41 years ago, the grandad of more than eight million Hoover Cleaners was a tin-and-wood heavyweight retailing at \$125. Today, despite higher wages and material costs, the far superior, streamlined Hoover Model 115 shown above costs only \$49.95 (with trade-in).

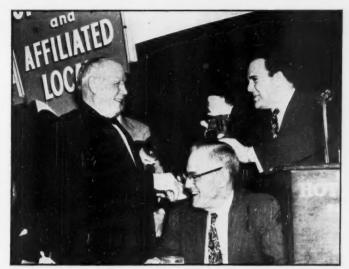
Undoubtedly, this experience influenced The Hoover Company to be one of the many leading concerns who have switched a large part of their fine commercial printing to Consolidated Enamel Papers at savings of as much as 15 to 25% or more below the cost of premium-priced enamels.

Consolidated Enamels' lower prices, like that of Hoover's Model 115, are the result of modern production methods. The revolutionary enamel papermaking process, introduced by Consolidated, produces fine printing paper, fully coated on both sides, in a single high-speed operation that eliminates many costly steps still in use by other makers.

Whether your own commercial printing needs are full-color advertising pieces, a house organ, or black and white sales promotion material, be sure you are not paying a penalty for out-dated ideas about fine papermaking. Investigate Consolidated Enamels yourself.

Consolidated ENAMEL PAPERS

CONSOLIDATED WATER POWER & PAPER COMPANY



PRESENTATION of Buddy Lee doll to A.F.L.'s William Green (left) shows how . . .

Goodwill Sells Work Clothes

H. D. Lee Co.'s careful cultivation of good relations with labor-both inside and outside the shop-helps to explain its current success. Heavy merchandising is another factor.

Smart merchandising and the friendship of labor have made the H. D. Lee Co. a major factor in the work-clothing

The main market for the Kansas City (Mo.) company's products is, of course, among laboring people. Long ago Lee learned to tap this market by taking work clothes out from under the store counter and splashing them across magazine pages. And Lee has cultivated this market carefully ever since by paying close heed to labor's wants and needs-particularly union labor's (picture, above).

• Expansion-To keep pace with the business that it has thus built up. Lee has had to work hard to get enough production. Three years ago it bought a big western producer, Eloesser-Heynemann Co., in San Francisco; last month it took over the production facilities of the Bruce Co., in Ottawa, Kan.

But despite this. Lee hasn't been able to meet demand. So now it is busily expanding the Bruce properties with the idea of trebling or quadrupling output.

• Rosy Picture-Lee, of course, isn't entirely alone in its current work-clothes prosperity. Most manufacturers of quality work clothing are also benefiting from a general expansion of the entire market for this kind of wearing apparel.

Chief reason for the general high level of activity in the work-clothes field is, of course, the big U.S. employment. With some 59-million persons at work-and earning wages that enable them to clothe themselves properly for their jobs-the work-clothing makers were bound to benefit. Added to this is the increased number of women wearing bluejeans, and a well developed partiality on the part of small fry for donning such items as cowboy suits and dungarees.

Prior to August, the market for denims and other fabrics which go into such clothing was pretty slow. Since then, however, a scramble has developed. Depleted inventories at the manufacturing level (and at retail) is one reason. Another possible reason: a desire to get a lot of fabrication done before the 75¢-an-hour minimum wage went into effect.

• Production-In all, Lee's output last vear spurted 21% above 1947; this year it is running another 21% higher than

There is another and somewhat unexpected reason for Lee's success-food. For Lee began its career as a wholesale grocer and today its grocery business accounts for 25% of its gross sales. (Lee doesn't reveal its gross sales figures, but net profits in 1948 came to \$1.2-million.) In fact, it's entry into the workA frank appraisal of the HOOVER COMMISSION REPORT

WHAT **BIG GOVERNMENT** MEANS TO YOU

HERE'S an X-ray view through the Federal curtain of bureaucracy . . . with a diagnosis of the costly mismanagement of our Government, and bractical, business-like prescriptions for its cure.

hasiness-like presc.

Now you can see what is actually happening to your Federal-tax dollar in this highly readable and authoritative digest of the 2½ million words of the monumental Hoover Commission Report.

You can see how consolidation of overlapping agencies, elimination of useless services and personnel, business methods can return a dollar's worth of benefits for every dollar given by the taxpayer . can strengthen our system of

Praise from the Washington Post

"Does a good job in boiling down the mountain of reports to a concise and readable form Gervast spices up the

Just published!



by FRANK GERVASI

Staff Editor, Collier's; war correspondent; author of War Has Seven Faces, etc.

378 pages, \$4.00

THIS condensation explains in everyday language just what 'Big Government' can mean to the average citizen in terms of taxes, efficiency in government, national security, and our country's role in world affairs.

If the condensation is a service of the condensation of the condensation

SEE THIS BOOK 10 DAYS FREE

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clothing field only came about indi-

• Start—The company was founded in 1889 in Salina, Kan., as the H. D. Lee Mercantile Co., by Henry D. Lee, a native of Vermont. For about 10 years, the company dealt only in wholesale groceries, developing its own private brands of foods.

About the turn of the century, however, Lee began to spread out. The first new additions to the company's merchandise line were stationery and school supplies. School supplies included overalls, the perennial uniform of the small town and farm boy. The big volume that Lee did in overalls persuaded the company that it might profitably make its own; so it set up a plant at Salina. By 1915, Lee's overall business was big enough to require another plant, this time at Kansas City. A few months later, Lee bought a third plant in South Bend; and in 1917, the company added another in Treuton, N. J.

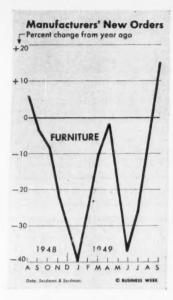
• Advertising—It was about this time that Lee decided to see what would happen to sales if the company really made an all-out effort to peddle work clothing. Its first effort—a full-page advertisement in the Saturday Evening Post—was unique in the work-clothes field. The results, however, were amazingly good. Since that time, Lee has become a big advertiser in some 75 national and sectional publications.

Much of Lee's advertising effort has been directed at popularizing cowboy pants and blue jeans. The company has played up the romance of the West and, along with it, the romance of western costume. This kind of promotion has made Lee Riders, the company's version of blue denim cowboy pants, the second biggest selling item in the Lee line.

• Labor—Buddy Lee, a pot-bellied little doll about a foot high, was another promotional gimmick Lee dreamed up in the early 1920's. Begun as an exhibit at the Minnesota State Fair, the Lee overall-clad doll went first into store windows, then into mass production as a by-product line of merchandise. Today, according to Lee, Buddy Lee is the largest selling boy-doll on the market. To date, there have been more than 700,000 Buddy Lees turned out. The doll sells at about \$3.95.

The fact that Buddy Lee appears annually at the A.F.L. Union Industries Show is symbolic of Lee's friendly relations with labor. Early in its history, the company, all of whose garments are union made, adopted the union label.

Lee's good labor relations make good sense from a marketing point of view. For one thing, the company has never had a strike. Besides that, however, is the fact that a large percentage of the people who buy the company's work clothing are union members themselves.



Furniture Is Up

Orders for September topped 1948 month by 15%. Manufacturers look for buying spurt after year-long sag.

Furniture makers are beginning to wonder whether they can't put away the aspirin bottle. Ever since August of 1948, they have been watching their volume of new orders dip way below the figures for the same month of a year ago. Now-maybe-that trend has come to an end.

September, 1949, was the turning point. In that month new orders for furniture spurted some 15% ahead of the volume logged by the manufacturers in September, 1948. That's the gist of a report on the state of the furniture industry issued last week by Seidman & Seidman, Chicago accountants.

• Salt Grains—So far, so good. But the furniture makers are still salting the good news to this extent:

New orders had already begun to slip in September, 1948–3% below the same month in 1947. That makes this September's 15% gain a little less impressive.

Shipments are still running about 19% behind the first nine months of last year. But then, of course, September's new orders haven't had time to trickle down to the shipment column of the statistics.

• Heavier Buying-Nevertheless, furniture men feel better. Late fall and





Saves \$1.00 per ton in unloading and storing . . . Provides contamination-free handling for VIMCO

MACARONI PRODUCTS
COMPANY

The entire production program of Vimco Macaroni Products Company at Carnegie, Pa., is now geared to the speedy and efficient work of one electric industrial truck. By tiering pallet loads of raw material three-high, useful storage space was tripled, production space was increased, and need for a new warehouse was eliminated.

Two men and a battery-powered truck unload an 80,000 lb. car of sacked semolina in four hours. A saving of \$46.00 per car totals almost \$1,500 per month in car-unloading alone.

Used in loading and unloading, storing, production movement and maintenance work, this one truck *must* be available at all

THE TAX TO THE STRAIGHT PLANTS OF ANY CLA

times . . handling foodstuffs, it must be fume-free. Mr. Samuel T. Viviano, Secretary and Treasurer of the Company, says, "A battery truck is the only powered machine that will give us this type of service. We have come to rely on the work done by this truck to such an extent that we couldn't operate without it."

Electric truck stacks pallet-

ized bags 3 tiers high.

Another example of electric truck dependability and cleanliness helping industry—while providing material handling at lowest cost per unit moved. This criterion, rather than initial investment, explains why so many industries prefer battery-powered trucks!

winter are traditional sales-peak seasons in their business. And this year the industry expects the seasonal buying spurt to be more concentrated than usual.

The main reason it thinks so is that the furniture retailers, like other merchants, have been slashing their inventories all year-and, of course, holding off on their buying meanwhile. Many of them compounded the effects of their inventory cleanouts by delaying their re-entry into the market until-or beyond—the last possible minute. Now, many retailers are rushing to stock up for the winter buyers.

MARKETING BRIEFS

Harvard University now has an endowed professorship of retailing—the first, it says, in the country. Creation of the post was made possible by a \$300,000 gift from Federated Department Stores and the Lincoln & Therese Filene Foundation.

Christmas sales staffs won't be built up by department stores as early or as heavily as last year, according to a spot survey by the National Retail Dry Goods Assn. Yule promotions will, however, begin at about the same time as in 1948.

A study of fair trade has been launched by the Bureau of Education on Fair Trade. It will look into gross margins, net profits, and comparative retail prices of drug-store products in fair-trade and non-fair-trade states. The Bureau has a budget of \$120,000 a year, contributed mostly by the drug industry (from retailers to manufacturers).

Conspiracy to fix prices paid to growers is the Justice Dept.'s charge against four grape-juice processors. A federal grand jury at Yakima, Wash., has indicted Tea Garden Products Co.; Church Grape Juice Co.; Tru-Ade, Inc., and its subsidiary, Hyland-Stanford Corp.

Rubber footwear is in short supply this fall. Retailers were reluctant to stock up because last year's mild winter left shelves loaded. Then, heavy rain in the East and Southwest ate into stocks. Now manufacturers find themselves hard pressed to meet the regular seasonal demand.

Brunswick-Balke-Collender Co. is trying to develop billiards as a family recreation. It is offering three folding pocket-billiard tables—complete with balls and cues—at \$99.50, \$139.50, and \$159.50 retail.

FINANCE

Stock Prices: Their ebb and flood, 1899 • 1949

Downs ♥ ...and Ups ♠

Period		Dow-Jones Stock Index	Period		Dow-Jones Stock Index
Apr. 1899 to June 1900	22.36	29.4	June 1900 to Sept. 190	2 14.09	26.2
Sept. 1902 to Nov. 190	3 25.62	37.8	Nov. 1903 to Jan. 1906	60.85	144.3
Jan. 1906 to Nov. 1907	50.00	48.5	Nov. 1907 to Nov. 190	9 47.53	89.7
Nov. 1909 to July 1910	26.91	26.8	July 1910 to Sept. 1912	20.53	27.9
Sept. 1912 to Dec. 191-	4 40.98	43.5	Dec. 1914 to Nov. 191	6 56.98	107.2
Nov. 1916 to Dec. 1917	44.20	40.1	Dec. 1917 to Nov. 191	9 53.67	81.4
Nov. 1919 to Aug. 1921	55.72	46.6	Aug. 1921 to Oct. 1922	39.53	61.9
Oct. 1922 to July 1923	16.52	16.0	July 1923 to Sept. 1929	294.26	338.6
Sept. 1929 to July 1932	339.95	89.2	July 1932 to Mar. 1937	153.18	371.6
Mar. 1937 to Mar. 1938	95.45	49.1	Mar. 1938 to Nov. 193	8 59.46	60.1
Nov. 1938 to Apr. 1939	36.97	23.3	Apr. 1939 to Sept. 1939	34.48	28.4
Sept. 1939 to Apr. 1942	63.00	40.4	Apr. 1942 to May 1946	119.58	128.7
May 1946 to June 1949	50.90	24.0	June 1949 to Oct. 1949	28.76	17.8

Beating the Swings by Formula

Plans worked out over the past decade are taking the emotion out of buying and selling. These formulas automatically dictate when to switch out of "volatile" into "stable" holdings.

Know what securities to buy, when to buy them, when to sell them. That's all there is to investment management.

The right time to buy, of course, is during the early days of a bull market. And the right time to sell is just before the bull movement is over.

• The Catch-But it's not quite that simple. For the investor operates under the psychological handicap of human fears, hopes, and wishful thinking. These waves of investor emotion, more than anything else, have been responsible for the way the market has soared out of sight and plunged sickeningly over the last half century (table, above). · Scientific Formulas-All this explains why there is more and more informed talk along the Street about "investing formulas" and "formula plans." These are methods designed to automatically determine what class of security investors should buy and sell, and when. (Don't confuse these formulas with any

of the earlier devices contrived by the Street to guide timing of security transactions.)

Few formula-timing plans now operating are more than a decade old. Those used by Vassar College and Yale University date back only to 1938. About the same age are the plans worked out by (1) F. I. du Pont & Co., New York Stock Exchange members, for the use of institutional investors, and (2) Boston's Keystone Co. for use by individual investors in connection with its Keystone Custodian Funds, the investment-trust shares it distributes.

Roughly, these plans call for each portfolio to be divided into two parts—one made up of "volatile" holdings, the other of "stable" issues. Most of the plans now in use are either "constant ratio" plans or "variable ratio" formulas

All, however, have this in common:



Maintenance Foreman Looks at

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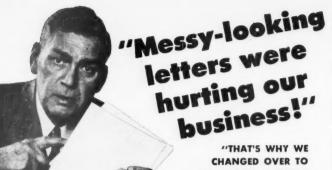
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LOOK FOR THE WATERMARK IT IS HAMMERMILL'S WORD OF HONDE TO THE PUBLIC On market upturns, common-stock profits must be taken. That is, commons must be sold gradually and the capital converted into bonds or cash.

On market downturns, bond holdings are gradually sold and commons repurchased.

In any market, all this must be done automatically. There is no room for human emotion or personal preferences. The formula must be followed as precisely as a five-star general's command

· Constant Ratio-The Yale plan offers a good illustration of a constantratio system. It calls for the maintenance of a "normal" ratio of 70% in "defensive" securities, 30% in the more volatile common stocks.

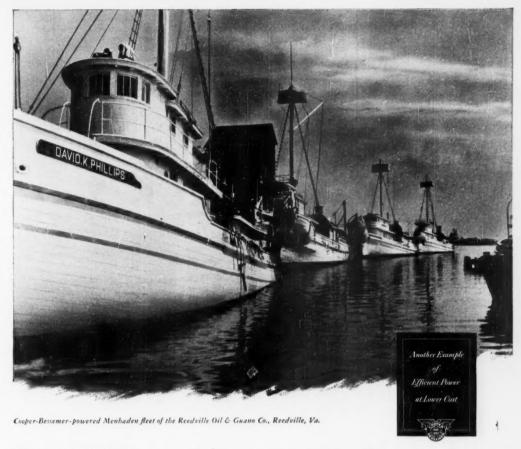
When the market is going up, no change is made in the common-stock portion of that fund until its market value equals 40% of the fund's entire value. Then it is cut back to 35%. When stock prices start falling, no steps are taken to add more commons to the portfolio until they only account for 20% of total value. Through new stock purchases, common holdings are then increased to a 25% ratio. If the market now turns around and zooms up, the commons are again gradually liquidated when they equal 40% of the fund's value.

· Variable Ratio-The "variable ratio" method operates somewhat differently. A "normal" market level is selected. At this level (one of the popular market indexes is chosen for use as a vardstick), whatever is considered a suitable balance between aggressive and defensive securities is held.

Whenever prices move up, the ratio



PIONEER in formula investing is Boston's S. L. Sholley, president of Keystone Custodian Funds, Inc. This is the second largest domestic investment company.



FISH STORY...with facts on cutting the cost of power

THESE rugged boats are part of a multi-million dollar industry on the east coast—the catching and processing of Menhaden fish to produce fish meal, oil and other valuable extracts. These products are in great demand to enrich poultry and livestock feed, and for the manufacture of soap, varnishes, linoleum and similar products.

One thing that has contributed largely to profitable operation is widespread conversion from steam to diesel propulsion. This means big savings in the cost of fuel and over-all operation. It also permits greater speed and faster maneuvering in the competitive rus: for the biggest and best catches.

Like so many of the hard-working Menhaden boats, those shown are Cooper-Bessemer diesel powered. Recently their owner took still further advantage of diesel economy; installed a Cooper-Bessemer equipped diesel-electric plant on shore to power the company's entire reduction plant where up to 50 tons of fish are processed per hour. This plant will pay for itself, will go on year after year furnishing abundant power at bargain rates.

Cooper-Bessemer engineers are noted for ideas that cut the cost of engine power. Their new developments are continually applied to engines for all types of stationary, marine and locomotive service. So if you want to know how you can cut your power costs, find out about the new things being done by one of America's oldest engine builders.



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of the aggressive stocks is reduced at various predetermined levels above "normal." And the reverse applies whenever the market starts sliding.

What determines a "normal" market level?

The Vassar plan, for example, uses a 50-year trend line of the Dow-Jones industrial-stock average adjusted for growth. The median figure for 1949 is 157; and at that level funds using the Vassar plan are supposed to be invested 50% in common stocks, 50% in defensive issues. At each 10% rise above that level common stocks are sold. When prices drop 10% under the median the proportion of common stocks is increased. And if the formula is followed out to the letter, funds using the plan would be entirely invested in (1) fixed-income issues at 209 on the Dow-Jones index, and (2) in common stocks at 114.

The Kevstone organization uses a different setup. It draws trend lines through the same D-J index, taking in the approximate cyclical highs and lows-except for the abnormal 1927-The channel thus arrived at 33 years. is divided into five zones to which are added the areas below and above.

For its Seven-Step Plan it uses the middle zone in that group as its "normal." For its other formula-plan-the Three-Step Plan-it uses the three middle zones.

The Seven-Step Plan is primarily for those desiring capital appreciation. It calls for maintenance of a 50-50 ratio when the D-J industrial index stays within the 179-204 range; only 10% in aggressive issues when it hits a 270 figure; only 10% in defensive shares when the index falls to 135.

• Income Plan-The Three-Step Plan is mainly for those who want income. Currently the Three-Step Plan has the area between 156 and 209 on the Dow-Jones industrial index as its "norm." Accounts starting out in that area are equally balanced between defensive and aggressive issues. Moreover, one-third is permanently invested in incometype issues-high-vield bonds, and income-type preferreds and commons.

Should the Dow-Jones average hit 235, all common stocks (except the income-type) will have been sold and replaced by medium and good-quality bonds. On the other hand, should the average drop below 156, all bonds except the high-vielders would have been liquidated and replaced by low-priced. volatile commons.

• No Panacea-Formula-investing isn't a panacea guaranteed to cure all the ills the average investor has suffered

You still have to be smart, for example, in selecting the securities you buy. You have to see to it, too, that

the plan you adopt meets your requirements as to principal-safety, income, and capital-appreciation.

However, available figures prove one important thing: Despite the steep hills and deep valleys on market price charts, formula-investing during the last two decades would have produced far better results than those achieved by most individual money-managers.

Detailed information on formulainvesting plans is in the hands of most brokers and bankers. Further, it's not impossible for the experienced investor to work up a personal plan to fit his

own fiscal needs.

Sell-Lease Facts

Accountant's group recommends companies report them in financial statements, list annual rentals involved.

The practices committee of the American Institute of Accountants took a definite stand last week on the reporting of sell-lease real estate deals (BW-Apr.17'49,p96). The committee flatly stated that it thought companies should list the leases, and the rentals involved. in their financial statements.

· Material Facts-"Those who rely upon financial statements are entitled to know of the existence of such leases and the extent of the obligations thereunder,' the committee said. "Material amounts of fixed rentals and other liabilities maturing in future years under long-term leases . . . are material facts affecting judgments. . .

Since the war, many companies have turned to sell-lease arrangements to finance plant expansions or build up working capital. But industry, generally, has neither listed the leases in its financial statements, nor shown the annual rents it has agreed to pay.

• Freed Capital-Most of the sell-lease deals involve sales of property to institutional investors. Then the company leases back the plant under a long-term contract, and agrees to pay a substantial rental, plus taxes, insurance, and upkeep

The obvious advantage for the company is that the sale thaws out capital frozen in fixed assets. The company doesn't have to offer stocks or bonds in an uncertain market-or go to banksto raise cash.

Further, the company can, for tax purposes, deduct rent as an operating expense. If it borrowed money, only the interest charges could be deducted -not the costs of amortization. Of course, had the company kept the property, it would have had depreciation as a tax deduction. But, on the net, the



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For more facts, ask for Bulletin IDC 9302-3,

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tax deductions are larger on a sell-lease deal.

• Buyers' View—From the standpoint of the institutional investor, sell-lease deals are particularly attractive (BW—Sep.10'49,p97). Colleges and life-insurance companies can amortize their investment over the life of the lease. In some cases, they get as much as 7% a year on a 20-year lease, 5% a year on a 30-year contract.

Last week, in New York, Webb & Knapp, Inc., pushed the sell-lease idea a step farther. A realty operator itself, Webb & Knapp sold its office building to, and leased it back from, Metropolitan Life Insurance Co. The insurance company already held a \$3.5-million mortgage on the building.

FINANCE BRIEFS

G.M.'s net income for the first nine months of 1949 came to \$502-million, compared to \$327-million in the same period last year. Net sales were \$4,458-million, as against \$3,436-million last year.

U.S. Rubber's net income for the first nine months dropped 43% below the 1948 period, while sales dropped 8%

Robert Young's Alleghany Corp. is planning the sale of another 100,000 shares of Chesapeake & Ohio common. Wall Street wonders whether Young will get out of C.&O., seek a directorship in New York Central. The ICC says he can't be a director of both roads.

Transamerica Corp.'s sale of about half its common-stock holdings in Bank of America (BW—Oct.29'49,p90) may not affect the Federal Reserve Board antitrust suit. An FRB spokesman says the case is based on "established relationships," not stock holdings.

Kaiser-Frazer Corp. is expected to pay off part of its \$16-million loans from the Bank of America and Mellon National Bank. It will use the \$12-million allotted to working capital out of its RFC loan. RFC is said to want some of the securities K.-F. put up as collateral with the banks to help secure its own \$44-million loan to K.-F.

Royal Little's estimate that his Textron Incorporated and subsidiaries would break even for the third quarter (BW-Oct.1'49,p30) was correct. Textron had a consolidated profit of \$120,000. But it lost \$3.2-million for the first nine months, compared with a \$5-million profit last year. Sales were 62% of the same 1948 period.

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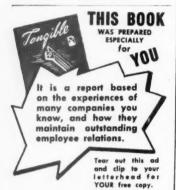
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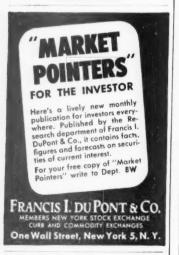
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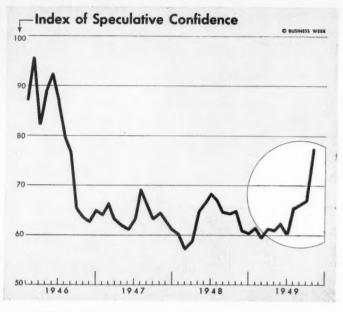
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THE MARKETS



Wall Street Brightens Up

Betting is on good business, good earnings and dividends through first part of 1950. Stock market feels more bullish than at any time since the presidential election.

One year after the big election upset, Wall Street seems to be getting its nerve back. A lot of traders still act more like rabbits than bulls or bears. But the stock market as a whole is shaking off the chronic jitters that seized it in November, 1948.

• Test—The best demonstration of that is the way the market has held up all through the coal and steel strikes. Except for a nervous bobble in the beginning, stock prices have ignored the shutdown of the two basic industries. And this week, the Dow-Jones industries.

trial average was squaring off for a formal test of its 1948 pre-election high (193,16).

You can get a rough measure of the revival of Wall Street's spirits from the Index of Speculative Confidence. (This is the Standard & Poor's 90-stock average divided by the BUSINESS WEEK index of business activity.) It shows how the behavior of stock prices matches up with the general business picture.

• Confidence—Measured by this yardstick, speculative confidence dragged bottom last February, when the index got down to 59.9. It turned up smartly in July, when stocks were rising and business was dropping. And it jumped 10 points in October to 77.6, the best level since the end of the 1946 bull market.

Part of October's gain was just a statistical freak. The shutdowns in coal and steel knocked the business-activity index down to an artificially low mark. And this automatically produced a big jump in the index of speculative confidence.

But the market's ability to ignore

Security Price Averages

This Week Month Year

	H cck	.4 90	A 40	200
Stocks				
Industrial	159.2	156.4	154.0	164.8
Railroad.	39.1	39.3	39.4	49.8
Utility	79.4	79.0	79.0	73.0
Bonds				
Industrial	100.0	100.0	99.7	94.6
Railroad.	81.6	81.7	81.9	85.6
Utility	99.3	99.2	99.1	93.7

Data: Standard & Poor's Corp.

the strikes was obviously a sign of confidence—the best sort of sign. And so the rise in the index is more than just a freak of arithmetic.

• Future—In other words, Wall Street seems to be betting on good business in the rest of 1949 and the first part of 1950. It thinks corporate earnings will hold up. And it is counting on a larger percentage payout of earnings in the form of dividends.

For the chart readers, the next couple of weeks will be the critical time. According to the Dow Theory, the market is now in the midst of its crucial test. If both the rails and the industrials can break into new high ground,

the Dow Theorists will "officially" label the current rally a new bull market. If the old resistance points hold, the Dow omens will be bearish.

• False Signals—You have to remember, though, that the Dow Theory isn't the gospel it once was. Traders are likely to swear by it when it proves their point, and throw off on it when it doesn't.

Since the 1946 market break, Dow signals have been booby traps more often than not. The bull market signal of 1948 simply recruited victims for the election day disaster. And the bear signal last June was followed immediately by the rally that is still going on.

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Dividends Are Higher, but Gains Are Spotty

Dow-Jones averages have good reason for their steady rise. Dividends are running higher than last

Last week, the New York Stock Exchange reported that cash dividends on listed common stocks for the first nine months of 1949 totaled close to \$2.8-billion, 8.2% more than last year (table, below). It's expected that full-year dividends will top 1948's, too. The last quarter is usually the time for the fattest dividends. In 1948, about 22% of dividends were paid out in December alone.

• Darker Spots—The gains were too concentrated to make an entirely

bright picture. Four industry groups—automobiles, steel, chemicals, and utilities—walked off with some 75% of the dividend gain. The automobile and steel industries together accounted for about 42%. And, what with strikes, steel is due for profit trouble in the fourth quarter.

Ten industry groups showed a decline in dividend payments for the three quarters, compared with the 1948 period. For the first half of 1949, only eight groups fell below their 1948 payments. And dividends on 210 stocks were cut down or suspended during the nine months. That's about 21% of all

stocks listed.

		Jan	Sept.	Approx	. A mount	%
	Number	Dir	idend	of D	ividends	Change
	of	Pa	yers	(000	omitted)	19-10
Industry	Issues	19-18	1949	1948	10-10	25. 1948
Aircraft	24	9	10	\$19,303	\$22.030	+14 1%
Amusement	24	17	16	43.555	42.823	- 1.7
Automotive	69	59	53	205.795	273.349	+32.8
Building	29	28	28	32,960	33,579	+ 1.9
Chemical	79	74	71	271.645	310.577	+14.3
Electrical equipment	20	20	18	60,468	67.786	+12 1
Farm machinery	8	7	8	28,047	31,601	+12.7
Financial	30	28	28	53.793	58.347	+ 8.5
Food, beverages	69	65	62	159,225	143,089	-10.1
Leather	11	10	10	15,489	15,360	- 0.8
Machinery, metals	102	9.3	94	99.033	102.792	+ 3.8
Mining	39	3.3	28	108,846	96.333	-11.5
Office equipment	10	9	9	21,663	22,176	+ 2.4
Paper, publishing	35	33	31	47,911	46.278	- 3 4
Oil, natural gas	44	43	41	315.447	344,768	+ 9 3
Railroads, R. R. equipment.	82	54	57	154.814	168,258	+ 8.7
Real estate	10	7	7	9.176	9.290	+ 1.2
Retail trade	72	66	65	161.879	180,240	+11.3
Rubber	10	8	8	26.445	23,387	-11.6
Shipbuilding, operating	11	8	9	10,344	10,225	- 1.2
iteel, iron	39	33	35	106.821	126.849	+18.7
Textile	4.3	42	42	64,420	59.228	- 8.1
Tobacco	16	15	15	49,781	54,813	+10.1
Jtilities	83	70	67	357,247	394,423	+10.4
J. S. Co.'s oper. abroad	25	13	14	48,470	42,759	-11.8
Foreign companies	17	14	14	54,497	56,134	+ 3.0
Other companies	17	17	16	17.514	16.353	- 6.6
Total1,	018	875	856	\$2.544.588	\$2,752,847	+ 8.2%

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LABOR



THIS MIDDLE-AGED WORKER does a job. But now, companies ask, are jobseekers . . .

At 45, a Pension Liability?

Spread of industrial pensions slows down employment of the over-45 applicant. Reason: Employers fear he'll prove a burden under new pension programs. But chances are he won't be

Industry pensions may mean security and a lift in morale for older workers now employed-but they raise new problems for jobseekers past 45 and for personnel directors who set hiring-age limits.

Right now, the spread of pensions means that fewer jobseekers are getting hired solely on their ability to do a job; age and physical handicaps are a growing consideration.

Companies are shifting their hiring policies for this reason: They aren't sure yet what new-or possible-pension plans in labor contracts may bring forth.

• Older Jobless Up—Take the case of Dayton, Ohio, which is typical of what is happening in most industrial centers. George E. Weigold, manager of the Dayton office of the Ohio State Employment Service, says that the number of jobless over 45 is growing faster than the number in younger age groups. The situation in New York State is about the same, the State Dept. of Labor reports.

In large part, this is because there are plenty of young jobseekers at hand. But state employment officers find that more and more personnel men are taking a

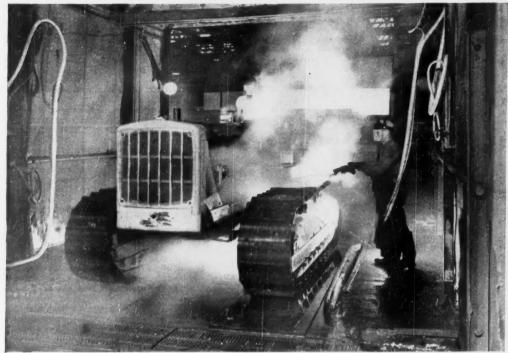
new stand on older applicants. They're saving: "We don't know exactly where we stand yet on pensions. Until we do, we have to limit the number of older men and women we hire.

• Temporary-Generally, this policy is expected to be short-lived. Few pension plans now being set up would make employment of an over-45 worker more costly than one 20 to 35. Most pensions are based on actuarial formulas that tie the amount payable at retirement age to length of service.

Many current plans-Ford's is oneprovide for retirement on the full monthly pension at age 65 after 30 years' service. If at 65 the employee has worked only 20 years, his pension amounts to 20/30 of the full pension. This means that the 45-or-over worker can be employed without adding to the

pension liability.

There is only one type of pension plan that may make employment of the older worker an acute financial prob-lem. This is the plan that provides that management will pay a fixed pension at a given retirement age-regardless of length of employment or amount of



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"I am not surprised," says Mr. John H. Flora, president of Hagerty Brothers Company, the Republic Distributor in Peoria, Illinois. He knows that Republic Rubber Products are built ruggedly, and it just seems natural to him that these tough tractors should be serviced

by Republic's sturdy E-101 Hose.

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That hazard is taken care of in a mighty effective way at the East River Plant of Consolidated Edison Company of New York—by a Kidde automatic extinguishing system.

If a fire breaks out in the duct, the system goes into action fast. Pressure trips operate to close the duct dampers...flame-smothering carbon dioxide (CO₂) pours through *Kidde* Nozzles directly into the duct. The flames are out in a few seconds — and the unburned coal stays dry, clean, ready for use.

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pay. It might say, for instance, that any worker retiring at age 65 will be paid a \$100-a-month pension, including federal social security. Whether he has been on the payroll 30 years or only 10 makes no difference.

But so far, this type of pension is rare in industry. You find it mainly in small companies with a stable work force. And usually the company has some age limit for new workers.

 Survey—Several months ago the National Assn. of Manufacturers and the U.S. Chamber of Commerce cooperated in a national survey of industrial hiring practices among 300 companies.

Generally, the companies surveyed accepted the fact that employment of older workers "is not inconsistent with operating pension plans.

One employer, an insurance company, said: "If a potential employee is of such an age that he will not be insurable under our pension plan, he is hired on a 'temporary' basis. We have a number of fine older employees who have been so hired since 1946."

Two hundred employers were asked whether hiring older workers caused any conflict with their existing pension plans. About 20% (44 employers) said it did; the rest said they employed "by qualifications" without regard to age, and without running into pension-plan difficulties.

• Uncertainty—But the fact remains that today the over-45 applicant is running into bars at the industrial hiring gate. And until companies know just where they stand on pensions, he is likely to be stuck there.

I.B.E.W. LIKES TO CONTRIBUTE

Union sentiment is by no means unanimous on noncontributory pension plans—those in which the employer pays the whole cost.

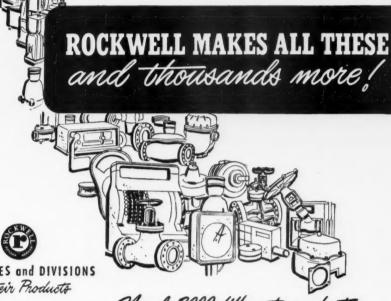
The International Brotherhood of Electrical Workers (A.F.L.) goes on record for contributory pensions—and union control of pension funds—in the current issue of its journal. It says:

"It seems to us that a pension plan is more sound, more practical when the employee contributes a share into the pension benefit fund. Employers' contributions we should certainly have also . . . but it seems to us that the best plans as far as organized labor is concerned are those paid jointly and administered by the unions."

ministered by the unions."

I.B.E.W.'s contracts with members of the National Electrical Contractors Assn.—and many other employers—don't quite come up to this standard. They provide that employees must pay 60e a month into a pension fund. Employers match employee contributions. But a board of trustees, made up of union, employer, and neutral members, administers the fund.

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Safeguard Against Rumors: Information





FORD PASSES THE WORD about its new pension plan by time-tested techniques: the printed word (top) and meetings where supervisory employees are briefed so they can answer questions, correct rumors (bottom).



CATERPILLAR USES MIKE to give daily one-minute messages from top management to supervisory employees, and special messages when needed. Caterpillar is sold on its plan because it's personalized and fast-moving.

There is less room for rumor, and more room for good relations, when employers tell workers what's going on in plant.

Get several hundred—or thousand—workers buzzing with talk of layoffs, or policy changes, or what's in a new pension plan, and you may be headed for trouble. Often, the talk is based on misunderstandings and exaggerated partruths. Sometimes, it's just pure rumor.

• Best Weapon: Facts—Whatever it is, the best way to squelch unfounded talk—and to keep it from ever getting started—is to keep employees well informed. More and more companies are telling employees what management is doing, what it's going to do, and why. They are running "tell the workers" operations as a matter of routine.

• At Ford—Ford Motor Co. this week is laying the groundwork for its campaign to "sell" its new pension program to employees. The starting point will be the foremen. Ford wants to make sure that all supervisory workers know all the ins and outs of the contract with the United Auto Workers (C.I.O.).

Ford is using familiar techniques (see pictures). Each of 6,100 supervisors has received a copy of the new contract, along with an explanation of all new points in the pact; the company also has set up 1,200 three-hour training conferences—on company time—for point-by-point discussions.

By the time the conferences are over, Ford hopes every supervisor will be able to answer any question that his men can

• At Caterpillar—The Caterpillar Tractor Co., at Peoria, Ill., has no particular project to sell right now. Its goal is just to keep its supervisory workers—and through them the men on the line—well informed. It's using most of the well-known techniques—and it has developed some new ones.

One is a daily, one-minute telephone "broadcast" from top management to every supervisory employee. Over a "management communicator" system, George W. Torrence, labor relations manager, relays short messages to lower management.

The system works through continuous-tape reporting equipment—the same kind that gives out weather and time reports over the telephone in most cities. Every day each supervisor dials a plant switchboard number for his message from Torrence.

Ordinarily, the message has some bit of plant news-sales reports, maybe, or working details of benefit plans and holiday arrangements. That way, it answers questions, forestalls rumors about business prospects and plant

operating plans.

• Special News—Sometimes there's some "hot news" for supervisors and the workers under them. Then special messages are taped into the equipment. And over the system comes the word on what's causing tar smoke (the plant isn't on fire, as the workers feared); or on bus operating plans (the ice storm hasn't stopped buses so that workers can't get home); or on results of a National Labor Relations Board election that has stirred up plant employees.

• Sharing Developments—The same problem was the principal concern of 160 conferees, representing employers of about 200,000 persons who met under a desert sun at Palm Springs, Calif., under sponsorship of the Merchants & Manufacturers Assn. of

Los Angeles.

Speaker after speaker urged them to share information with their employees. One of the biggest hazards to sound plant relations today is a threat—or rumor—of layoffs, they agreed.

Ordinarily, layoff rumors can be spiked before they start, just by publicizing company policies on scasonal,

cyclical, or permanent cuts.

• Rumor Clinic—Conferees heard of a rumor cure developed by H. L. R. Emmet, who retired last month after 20 years as manager of General Electric's Erie (Pa.) plant. Emmet's way of fighting rumors among his 20,000 employees was a permanent "rumor clinic." It works like this.

Any worker may file a rumor on any subject with the clinic. The manager replies directly if the rumor is signed. If it isn't it's answered in a monthly rumor report printed as a full-page ad in Erie's two daily newspapers. The ads are read as avidly as first-page news.

"I've answered more than 1,100 rumors in the last seven years." Emmet said. "The result is that there's not a lot of suspicion and worry based on plant-gate rumors—either garbled or en-

tirely fictitious news.

• Foremen Conferences—G. E. has another way of meeting the problem: Its Eric foremen hold monthly meetings with groups of 12 to 25 employees who work under them. Foremen and workers get better acquainted. But the meetings also help pass along the company's answer to rumors, and to explain company policy.

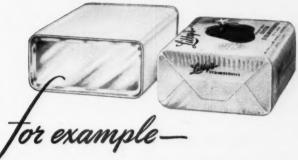
 Another Approach—The Robertshaw-Fulton Controls Co. is another that makes foremen conferences do a comnunications job. Thomas T. Arden, executive vice-president, told the Palm Springs meeting that its program aims to keep foremen posted on business prospects—so that they can deal with

employees' job worries.



Your Packaging Problem

may be no problem at all for "PACKAGE" engineers



In wrapping the new metal-end fibre can, frozen food packers encountered two problems. The recessed ends of the can made it difficult to seal the end-folds of the wrapper neatly and securely. And moisture or frost, which forms on the outside of the container, was

trapped under the wrapper.

Our engineering staff tackled both these difficulties. They solved the problem of making a neat fold over the recessed ends of the can by designing for our Model FF machine an end-sealing device similar to that used on our Model FA which wraps extension edge candy boxes. This device employs a blade over which the end-folds can be neatly sealed. To permit any moisture inside the wrapper to escape, the sealing mechanism was so designed that a section of the end flaps is left unsealed. Thus cans can be wrapped before or after freezing—and whether the container is wet, dry or frosted, a neat wrap is assured.

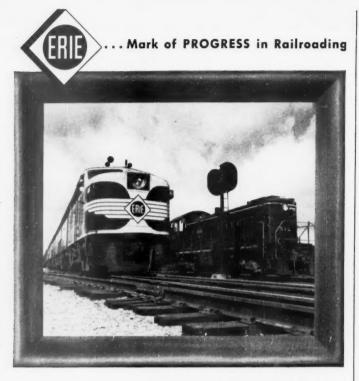
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THESE two locomotives posing for their picture dramatize a story that's big news in railroading—the rise of the diesel.

For with remarkable foresightforesight that's paying off in many ways—the Erie Railroad ordered its first diesels back in 1926. The order called for two diesel switchers, "granddaddies" of the one shown here. That modest start has now grown to a figure of 183 Erie diesel locomotives of all types in use, or on order. They range from switchers like this one on the right to the big, brawny, 6000 h.p. road diesels which haul 65% of the freight on Erie's two thousand miles of railroad.

So Erie's foresight in adopting the diesel is today helping to better on-time performance and play an important part in assuring safe, dependable transportation of both passengers and freight.

Erie Railroad Serving the Heart of Industrial America

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C.I.O. Ousts U.E.

Crackdown on left wing brings third labor group nearer. It means heavier raiding, and contract problems for employers.

There's less labor unity than ever in this country now.

As expected, C.I.O.'s anti-Communist unions and its dwindling leftist bloc split apart in Cleveland this week. The division does lower one barrier to eventual A.F.L.-C.I.O. unity (A.F.L. has always balked at dealing with C.I.O. leftists). But it means that a turbulent third labor group is in the offing.

• Choice—C.I.O. president Philip Murray moved fast, and with overwhelming support, against the left. He barred any compromise that would let party-liners keep a toehold in C.I.O. With the strong backing of the United Auto Workers' president Walter Reuther. Murray gave left-wing unions their choice: Conform with C.I.O. policy, or get out.

The United Electrical, Radio & Machine Workers, claiming a half-million members, stuck to its "autonomy" ultimatum to C.I.O. (BW-Oct.15'49, p. 106). So C.I.O. formally ousted U. E.

Nucleus—U. E. has long been rumored

*Nucleus—O.E. has iong been fundred to be the prospective nucleus of a new "progressive" labor federation—haven for all unions with pro-Communist sympathies. One small, vulnerable leftist union, the Farm Equipment Workers, scurried into U. E. last week. So C.I.O. took away its charter, too.

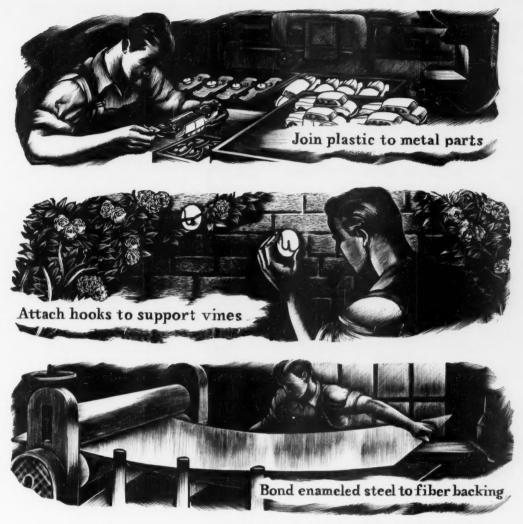
C.I.O. didn't act immediately against any leftist unions except U.E. and F.E.W., but expulsion moves against several more, and perhaps all, apparently were planned, if not at the convention, then afterward. C.I.O.'s executive board was authorized to expel by two-thirds vote any unions that consistently follow Communist, Fascist, or other totalitarian lines.

• Next Questions—With the showdown fight finally under way, two big questions remain:

How many members can C.I.O. salvage from ousted left-wing unions? What will happen to contracts claimed by both ousted unions and C.I.O.?

• Replacement—An important factor in both problems is this: C.I.O. plans to place a right-wing union in every jurisdiction left open by ouster or withdrawal of a left-wing organization. For instance, it plans a new union that will "genuinely represent the desires and interests" of electrical workers.

The result will be intensified union rivalry and raiding—the sort of situation that breeds bitter labor problems for management.



Wondering made these adhesives do wonderful things When you start prodding your imagination with phrases like "I wonder if we could possibly . . . ," try turning your thoughts to Armstrong's Adhesives. These modern adhesives are making a lot of business dreams come true. Take, for example, the manufacturer who wondered if his toys could be made more child-resistant. Or the man who wished he could train roses on hooks adhered to garden walls. Or the industrialist who wanted to join a continuous enameled steel skin to a suitable backing. All of these things can be done, of course, with the right adhesives.

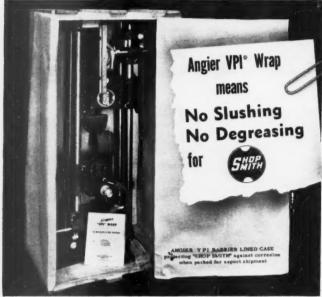
The right adhesive may help realize your ideas, too. If one of the fifty odd adhesives in our regular line won't do what you have in mind, there may be an experimental product in our laboratory that will. So don't spare us, even if your needs seem rather fantastic. We may not come up with the answer, of course, but we promise you a good try. Write Armstrong Cork Company, Industrial Adhesives Dept., 4911 Reservoir St., Lancaster, Pennsylvania.

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Retail Drive Lags

Split in A.F.L.'s drive on St. Louis stores bogs whole department-store organizing campaign. Unions now on own.

Four months ago, organizers from three A.F.L. unions moved in on three major St. Louis department stores.

• Collapse—This week, that three-way drive to organize the stores was on the rocks. Also scuttled with it, apparently, was A.F.L.'s entire plan to use a triad of unions—Teamsters, Building Service Employees, and Retail Clerks—to unionize department stores nationally. The cooperative effort was snagged on the prickly issue of opposing jurisdictional claims.

The stores A.F.L. was after were

The stores A.F.L. was after were the Famous-Barr Co., Scraggs-Vandervoort-Barney, Inc., and Stix, Baer & Fuller. Both A.F.L. and C.I.O, had tried to organize them before.

(C.I.O. plans for a department-store drive are faring no better than those of A.F.L. Its organizing spearhead for department stores—the Amalgamated Clothing Workers of America—recently said that it is considerably narrowing its work; in the future, it will try to organize only those stores in which it already represents men's clothing salesmen, tailors, and similar groups.)

nen, tailors, and similar groups.)

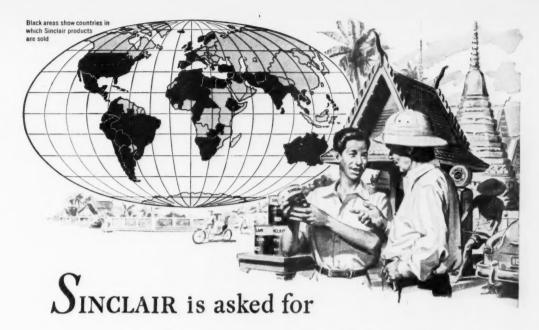
• Separate Ways—A.F.L.'s St. Louis drive started to bog down in August, after a fast start (BW—Jul.2'49,p60). The Department Store Employees' Joint Council—representing the three unions who were to cooperate in putting the drive over—has disbanded. The Teamsters, Retail Clerks, and Building Service Employees will keep on trying to sign up department-store workers separately, they said. But they aren't optimistic about their chances.

Actually, the Joint Council was only a name by the time it disbanded. The three unions hadn't been working together for some time. Friction developed between the Teamsters and Retail Clerks early in the organizing cam-

paign.

• T-H to Blame?—The Teamsters union says that what beat its organizing efforts was the Taft-Hartley law. Last August, the Teamsters asked for a representation poll of 1,000 warehouse and shipping-department employees in the Stix store. The National Labor Relations Board, using discretionary powers granted it by T-H, turned down the Teamsters' request. NLRB ruled the election couldn't be limited to such a splinter group; it would have to include all of Stix's 3,000 employees.

• Friction Point-But a store-wide election would have involved the Retail



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Clerks, who claimed to represent all sales personnel in department stores. Retail Clerks said that it wouldn't tolerate any Teamsters' encroachment on its jurisdiction.

Without the Retail Clerks' cooperation—or without a jurisdictional fight—the Teamsters couldn't go through with the Stix election. Recognizing that it faced a losing election battle, the Teamsters dropped the plan.

• Boiling Point—That was the beginning of the formal end of the Joint Council. Harold J. Gibbons, secretary-treasurer of Teamsters Local 688 and a Joint Council officer, made the break official when he said that it was no longer practical to work through the Joint Council. Henceforth, he said, the Teamsters would go it alone.

• Counterdrive—The Retail Clerks reacted quickly. They set up a new local union for department-store workers. And to head a new, separate Retail Clerks organizing drive they picked Louis J. Renschen, executive secretary of a key Retail Clerks local and president of the St. Louis Central Trades & Labor Union (A.F.L.).

No one looks for any real developments from the separate drives right now. Since the concerted effort broke down, solo sorties aren't likely to bring important results.

Wieners mit Hollandaise

The complaint of employees of the McDonnell Aircraft Corp., in St. Louis, was one familiar to every employer who has a plant cafeteria: Hot food served for daily lunches always tasted the same.

William R. Orthwein, Jr., personnel manager, discovered he couldn't vary the food much, but he figured he could at least change the sauces.

• Last week McDonnell's sleek

• Last week, McDonnell's sleek cafeteria began serving an "all-French" cuisine. About Dec. 1, it will switch to "all-German" menus; later it will concentrate on American and Italian dishes —with an occasional Chinese and Mexican dish or so thrown in. New recipes, new ways of seasoning and cooking will do the trick.

Orthwein ran into a new complaint, right off the bat. The dishes were all listed in French, and employees said they had to know, in advance and in English, what they were getting. Now the company furnishes a monthly guide card of foreign words.

Bypassing Polls

The construction industry wants revised NLRB policies that would give Taft-Hartley rights without elections.

Employers and unions in the building trades are working on the National Labor Relations Board to get it to revise its policies.

Both operators and unions—represented by the A.F.L. Building Trades Dept.—see eye to eye on this issue. They complain that NLRB is making only limited application of the Taft-Hartley law to their industry. And they have asked NLRB to fix things so that they get the same treatment as other industries under the T-H law.

• Elections—The nub of the whole trouble lies in the fact that NLRB doesn't hold representation and unionshop elections in the construction industries. The board started to after T-H went into effect. But its first election—a consent union-shop poll among road-builders in western Pennsylvania—came out exactly as everyone knew it would, after considerable expenditure of time and money. So NLRB, faced with 14,000 polls in the building trades, gave the whole job up as hopeless.

Contractors and A.F.L. unions complain that, because NLRB doesn't legalize bargaining rights and union-shop contracts, their relations are made more difficult. Decisions of the National Joint Board for Settling Jurisdictional Disputes are harder to enforce; they can be challenged by non-A.F.L. unions (BW—Oct.29'49,p26). And contractors frequently run afoul of unfair-labor-practices charges for following policies that would be perfectly valid if the technicality of an election could have been met.

For instance, industry spokesmen argue that a contractor may be charged with these unfair labor practices:

Discriminatory discharges, if he releases workers under a Joint Board decision in a jurisdictional dispute.

Unlawful discharges, if he lays off nonunion workers to enforce a unionshop contract that has not been validated by an election—even though NLRB says it can't hold the election.

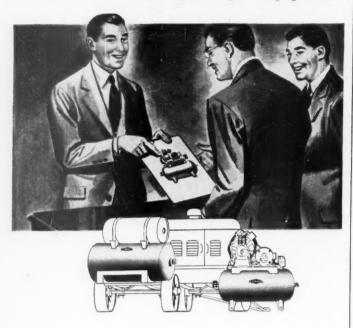
Discriminatory hiring, if he conforms to custom by employing A.F.L. men instead of nonunion men or members of another union. The unaffiliated International Assn. of Machinists, among others, has filed charges of this kind against a number of contractors in recent months.

But despite their complaints, neither



"SCAIFE TANK" a mark of quality

that helps sell your equipment



Salesmen and buyers have one conviction in common; they both recognize the value of a good name on a component part of a machine. Obvious quality here infers high quality of other parts, and of the complete equipment.

A good example is the name SCAIFE on a pressure vessel for air, gases or liquids. As an integral part of an air compressor, a production machine, a water system, or other product, the Scaife tank is accepted

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SCAIFE stands for top quality in pressure vessels for air, gases, liquids.



Makers of Pressure Vessels For Air, Gases, Liquids

employers nor unions want NLRB to hold elections. Instead, they are asking NLRB to give the same protection and privileges that would come with elections—without requiring the elections.

• What They Want—Specifically, they want from NLRB a clear understanding of the construction employer's right to:

Recognize certain unions and negotiate wages and working conditions with them. This would cover all employees on a project or in an area—whether or not the contractor actually has employees on the job at the time.

Hire through unions, or any other source of labor supply that provides a way for determining the qualifications of a worker. (Restoration of the closed shop, as such, isn't sought. But hiring by "qualification" is an alternative being used widely to keep job controls in union hands.)

Continue to discharge on the basis of performance and need, without running into charges of discrimination.

LABOR BRIEFS

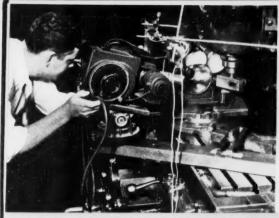
How to use price indexes in unionmanagement escalator clauses is explained in a new Bureau of Labor Statistics publication. Ask for "Use of the Bureau of Labor Statistics' Price Indexes in Contract Escalation." It tells what the indexes include, when they come out, etc.

Surprise best seller: The recent steel fact-finding report ran through three printings the first week. Government Printing Office has sold about 16,000 copies so far at a 30¢ price.

No pay cuts will get official approval of new United Rubber Workers (C.I.O.) executive board. That's its stated policy in refusing to O.K. a contract with Norwalk Tire & Rubber Co. calling for an 116 pay cut (BW-Oct.1 '49,p96). Reason: It's a "bad precedent."

If boss gets fresh, a girl can quit her job without losing unemployment-pay rights. A Pennsylvania compensation review board has ruled that "improper advances" are a good cause for voluntarily quitting a job. So, it is allowing a \$16 a wee! payment to a girl looking for a new job—one without passes.

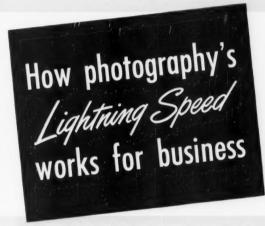
The Pictures—©Fabian Bachrach—64; C. Peter Davis—26 (1), 28, 31 (rt.), 32; Int. News—72; Syd Karson—59 (lt.); Keystone—93; Wide World—89 (rt.), 90; Dick Wolters—19.



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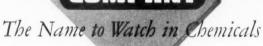




problems are being done more quickly, more efficiently and more economically. These detergents are produced in tremendous quantities by Oronite. But, whether you need "suds" for the soap industry, "stickum" for adhesives, additives for lube oils, odorants for natural gas or other vital chemical products, perhaps Oronite can help you.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK NOVEMBER 5, 1949 The U.S. drive for economic unity in western Europe is causing bad blood between London and Paris.

There are signs of a real Anglo-French feud—the kind that made a European settlement impossible between World Wars I and II.



First there was devaluation of sterling. This was sponsored by the U. S. to break the logjam in Europe's trade. But when Chancellor Cripps suddenly cut the pound to \$2.80, French Finance Minister Petsche took serious offense.

Now Cripps has unexpectedly proposed to whack the trade barriers (import quotas) between ERP nations down by 50%.

This move, too, has U. S. backing. But Petsche is provoked again, labels the scheme a bluff. He charges London with another failure to cooperate.

It's true the British plan isn't so bold as it sounds.

For example, Britain won't ease up on import restrictions against creditor countries such as Belgium and West Germany. Thus, Cripps' 50% figure doesn't apply to each and every ERP country alike. Rather, it's an over-all figure.

Actually, neutral Paris observers see another reason for Petsche's pique. They figure Cripps has upset Petsche's plans for easing France into the proposed monetary union with Italy and Belgium (page 24).

Before ECA's economic union plans get much further, look for trouble between France and Germany, too.

ECA is determined to get West Germany in on the French-Italian-Belgian union before too long.

But the French wonder whether the U. S. will do anything about German trade practices first. Paris charges that German traders have started dumping goods again. Another complaint: German tariffs are so high that there's no point talking about reciprocal tariff cuts.

Back of all this, of course, is France's fear that once in the economic union, Germany would run the show.

Paris is already balking at U. S.-British plans to take another look at dismantling policy in West Germany.

What bothers the French most is behind-the-scenes talk of sparing the big Thyssen steel works in the Ruhr. They say this would give West Germany 15-million tons of basic steel capacity.

Then, the French think there's a matter of diplomatic tactics involved. They don't want to start bidding against Moscow for German support. This could encourage the Germans to make a practice of playing East and West against each other.

Discount reports that the U.S. now has plans for a "Junior Marshall Plan" for Asia.

No such plans are afoot, despite the clamor for help from the Middle and Far East.

For a while, at least, the Administration will limit economic aid for these areas to Point 4 help; the \$75-million voted by Congress for possible aid to Nationalist China; and Export-Import Bank and World Bank loans.

State Dept. officials are finding some snags in the Acheson-Nehru

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK NOVEMBER 5, 1949 barter deal—U. S. wheat for Indian manganese and mica (BW-Oct.29'49, p107).

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Prime Minister Nehru suggested this deal during his Washington visit. Acheson took to the idea at once.

But when State experts examined the plan, they could see trouble:

- (1) The special Indian deliveries of strategic materials for our stockpile couldn't start for several years. And as drawn now, American stockpiling legislation expires June 30, 1952.
- (2) Such a deal with India would upset South Africa and Brazil. These two countries have been hard at work developing their manganese output since Russia cut down on its shipments.

It's likely, though, that Acheson will find some way of getting more wheat to India.

France has begun to think about a truce in Indo-China.

About all that keeps the French fighting there now is hope that the U. S. may still finance an anti-Communist bloc in the Far East.

Meanwhile, French forces can hardly hold their own against Ho Chi-Minh. And the French protege, ex-emperor Boa Dai, isn't pulling much popular support.

Of course, it's still a question whether the French can get a truce with Indo-China's Red leader.

Paris had been thinking of Nehru as a mediator. Now French officials hear that Nehru, while in the U. S., has been condemning their Indo-Chinese policy.

Then there is Britain's plan to recognize Communist China. This is fanning Ho Chi-Minh's hopes of a total victory over the French.

Acheson has decided to step up economic aid to Yugoslavia.

It was our ambassadors in eastern Europe who urged this. (The ambassadors held a get-together in London last week.)

As a starter, Washington will soon drop its ban on shipments of civil aviation supplies and commercial airliners to Yugoslavia. Tito wants the equipment for new air routes to Rome and Paris. If and when enemy guerillas start to attack, everything will be ready for an airlift to Yugoslavia.

Moscow is discarding Albanian dictator Hoxha.

The new strong man in Albania will be Lt. Gen. Shehu, a Moscow-trained party man. At present Shehu is vice-premier, army chief of staff, and boss of the secret police.

Reason for the shift: Hoxha seems to be weakening under pressure from Yugoslavia and Greece.

Gen. MacArthur doesn't buy the theory that Japan must trade heavily with Communist China to survive. As MacArthur sees it, Japan can do nicely without more than a trickle of imports from China.

What's more, he thinks that in a year or so Japanese exports will pay for all essential imports, except supplies of U. S. cotton. That would cut the U. S. bill in Japan down to \$350-million to \$400-million.

One way to make that sum look like less would be accept Japanese yen for our cotton—a la the commodity cleaninghouse scheme proposed recently by U.N.'s Food & Agriculture Organization (BW—Oct.1'49,p101).

BUSINESS ABROAD



IMPORT AND DOMESTIC: Britain's Matchless cycle (left) weighs 400 lb., sells here INDIAN CHIEF Ralph Rogers is convinced for \$650. Indian's own lightweight, the Scout (right), weighs 300 lb., costs \$835. he can make a go of "gentleman's cycle."



British Motorcycles Fill Out U. S. Maker's Line

Indian opens dealer network to competing British products to sell idea of lightweight cycles to U. S.

Most businessmen are in favor of more imports-as long as the imports are in somebody else's field. So it's news when a U.S. company invites foreign competition as a way to strengthen its sales position in this country. That's what Indian Motocycle Co. of Springfield, Mass., has done.

· Sponsored Competition-Indian has turned over its entite dealer network for the distribution of British motoreveles, bieyeles, and allied products. many of which will compete directly with Indian's own line. The deal, which has been under plan since last April, goes into effect this week.

 Background—Here's what is behind it. Just after the war, Indian's president, Ralph B. Rogers, decided to swing into production of lightweight motorcycles (BW-Sep.18'48,p90). Rogers figured that big, powerful, noisy motorcycles limited the market; an efficient, lightweight. European-type cycle would open up a vast new body of prospective buyers.

So Indian designed a new "gentle-man's motorcycle," as Rogers called it, and went into production in July, 1948. The new model came in both single and two-cylinder types, the Arrow and the Scout, respectively. The cycle was about half the weight of Indian's big

(600 lb.) Chief; cost was slated to be

· Upset-But conditions changed between the time Rogers had his idea and when the first Scout came off the production line in October, 1948. Indian moved into a new plant in East Spring-field in June, 1948. That delayed production so long that the lightweights missed the big spring and summer market. Labor and materials costs climbed in the interim, causing Indian to raise the price tag on the Scout to \$835. And worst of all, the sales picture changed from a sellers' to a buvers' market.

Result: Indian reported a whopping loss of \$3,198,361 for fiscal 1948, operating losses of \$1,895,790 for the current year up to July 2, 1949.

. No Return-Still, it was too late for Indian to backtrack on the light-weights. It had built its dealership to over 1,000 dealers from a prewar total of about 600. These dealers needed a whole range of products in order to sell competitively-not just one type of motorcycle. And Indian had sunk heavy investments into tooling for the lightweights. It needed lower-priced products to keep the lightweight idea

So Indian looked to British motorcycle manufacturers for aid. Sales of British motorcycles had been gaining rapidly in this country, especially on the West Coast.

• Pact-In April of this year, Indian negotiated an agreement with J. Brockhouse & Co., Ltd., a British motorcycle manufacturer, for the formation of Indian Sales Corp. The new company has the exclusive right to sell to Indian's dealers-both Indian's products and imported products.

The deal not only gives Indian a spread of British products to sell through its dealers; it also gives it additional working capital for manufac-turing operations. Brockhouse supplied \$11-million for the purchase of all of the preferred stock in Indian Sales Corp. Indian Motorcycle, the parent company, holds all of the commonand controls the company.

The agreement also gives Brockhouse representation on the board of directors of both Indian and Indian sales. Brockhouse, his U.S. lawyer, and a Brockhouse technical representative in the U.S. hold three of the six directorships of the sales company, three of the seven directorships of the parent company.
Combined Team—Originally, it was

planned that Brockhouse alone would supply products to Indian. But devaluation has broadened the concept of the plan. It gave many British motorcycles such a price advantage in the U.S. market that it was decided to include nine other British manufacturers in the



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the classified advertising of the world of business management. For information write "clues" Business Week. Indian distribution program. Thus, Indian's dealers got an even greater spread of products to sell.

British manufacturers now in on the deal include: A. J. S. Motorcycles, London; Douglas Ltd., Bristol; Enfield Cycle Co., Redditch; Excelsior Motor Co., Tyseley; Matchless Motorcycles, London; Norton Motors, Ltd., Birmingham; J. A. Phillips & Co., Birmingham; Reliant Engineering Co., (Tamworth) Ltd., Birmingham; Vincent H. R. D. Co., Ltd., Stevenage.

A. J. S., Douglas, Enfield, Excelsior, Matchless, Norton, and Vincent H. R. D. will supply motorcycles ranging from a 130-lb. lightweight, all the way up to a big, 600-lb. model similar

to Indian's Chief.

All bicycles will be furnished by J. A. Phillips Co. Reliant Engineering will produce three-wheeled delivery vehicles for the American market. Negotiations are still in process with other British manufacturers for additional products and components to be distributed.

All Content—Indian's dealers are reported to be enthusiastic about the deal. With a broad base of products to sell—scooters, delivery vehicles, bicycles, and motorcycles—they think they will get a better return with less sales effort.

The company figures that, as it sells the British lightweight types, it is also selling the American market on the idea of lightweight motorcycles in general. In the back of Indian's mind, of course, is the thought that sooner or later the gap between British and American

prices of motorcycles will close. Then Indian will recoup the market for its own lightweight.

• Golden Chance—In the meantime, the Indian deal is a golden opportunity for British manufacturers. First of all, it opens the door for their products to the exclusive club of American motorcycle distributors. Up till now the British have been restricted to small, independent dealers, few in number.

Besides getting a ready-made distribution setup, the British manufacturers will now be able to get wholesale and retail financing for their sales. Indian's subsidiary, the Indian Acceptance Co., will furnish the credit.

• Regal—This idea of using imported products to fill out a sales line is not brand new, of course. For the last 15 months, for instance, Regal Shoe Co. has been selling British manufactured shoes in its retail stores across the country. Before devaluation, Regal's Britishers were priced at \$10.95, compared with Regal's domestic price line of \$8.80 a pair. With devaluation, though, the price of Regal's imported shoes dropped to \$9.90.

Regal says that sales of the British product are "quite satisfactory," with slight improvement since devaluation. There are always a few of your customers, says Regal, who like to be able to say: "I have my shoes made in England." That share, Regal is pleased to say, currently runs about 10% of its total sales.

• Your Own Importer—Another approach—direct customer importing,



Counting 'em Before They're Hatched

Machine-minded Germans have figured out a way to count and check eggs mechanically. Benz & Hilgers, of Dusseldorf, displayed the device recently at an agricultural fair in Frankfort-on-Main. A belt conveyor feeds the eggs into the machine. The machine weighs, counts, and stamps them -6.000 an hour. Price: about \$1,250.



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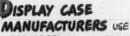
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avoiding middleman costs, got a trial last week. The British Export Trade Assn., a cooperative group of British manufacturers, ran a full-page color ad in the New York Times offering cashmere sweaters by mail-order. "Be your own importer—save up to 37%," bold-faced the ad. B.E.T.A. offered 10-day delivery, with a "guarantee to refund every penny if you find our claim is incorrect." Copy in small type at the end of the ad stated that "Your postman will collect \$1 to \$3 duty on delivery."

J. Walter Thompson, U.S. advertising agent for B.E.T.A. says the mailorder ad was a test-run, limited to the New York area. The following week B.E.T.A. ran small ads in 13 newspapers across the country in which it asked for sales representatives for British products. In a later ad-test, it is expected to sound out retail outlets for its products. B.E.T.A. represents many other British industries besides the cashmere-sweater makers.

BUSINESS ABROAD BRIEFS

The former U.S. Navy warehouse in Queensland, Australia, will be sold to the Kraft Walker Cheese Co., Kraft's Melbourne subsidiary. The company will use the 40,000 sq. ft. area for production of cheese, cream, and milk products.

The Netherlands affiliate of Kaiser-Frazer plans to set up a K.-F. assembly plant in Indonesia. It also expects to assemble European autos in its factory at Rotterdam.

Italy's Terni Co. will build an ammonium sulphate plant at Bagnoli (Naples) with equipment purchased under ERP. Purchases for the project will be made through the Italian Economic Mission in the U.S.

Nylon for Holland will be produced by AKU, Dutch rayon manufacturer at Arnhem, under patents recently acquired from du Pont.

Ford's Australian branch plans to step up the use of Australian-made components at 85% of factory value by end of 1952. Ford has been relying largely on Canada for supplies of assembly components.

A British team of clothing manufacturers arrived here this week for a six weeks' tour sponsored by the Anglo-American Productivity Council. The 16-man group will visit clothing centers in New York City, Rochester, Philadelphia, and Chicago.





STATESMEN Stikker (left), of Holland and van Zeeland, of Belgium are closer together.

Benelux Leaders Push Union

Devaluation spurred them into setting up partial customs union, first real progress since 1947. Dutch lift many import quotas. Economic disparity between Belgium, Netherlands still a problem.

AMSTERDAM-Devaluation has put new life into Benelux-the plan for an economic union of Belgium, the Netherlands, and Luxembourg. Although there's still no chance that union can be reached by the target date, July 1, 1950, it's a fairly safe bet that Benelux will be a reality within a year or two after that. · Change in Odds-Two months ago, you could have had heavy odds in Amsterdam that Benelux would never amount to anything. There had been no real progress since the summer of 1947. At that time, tariff walls between the three countries were knocked down and common tariff rates against the outside world set up. But this tariff union didn't amount to much. The Netherlands kept out Belgian goods by import quotas and other devices.

Then came devaluation in September. The Dutch guilder dropped in value by 30% and the Belgian franc by only 13%. That meant that Belgian exports to the Netherlands would tend to shrink and Dutch exports to Belgium would tend to rise. The Netherlands then felt free to drop some of its quotas. · Pre-Union-During the first week of October the three governments agreed to move into the second, or "pre-union" phase of their plan. (Pre-union had originally been scheduled for July 1.) This carries things beyond the 1947 arrangement into a partial customs union.

A long list of commodities can now be traded freely between the member countries. For example, Dutch import quotas have been entirely removed from roughly 30% of the goods imported from Belgium and Luxembourg in 1948.

However, the best the Dutch could offer on textiles-one of Belgium's chief exports-was to liberalize the quotas. The Netherlands has been running a monthly trade deficit with Belgium-Luxembourg of \$6.5-million. There was no certainty that devaluation could close all the gap.

· More Caution-The Dutch took a cautious stand, too, in the cabinet-level talks that followed right after the preunion agreement. These talks were supposed to clear the way for the full economic union with completely free trade and mutual convertibility of currencies

The Hague's caution was particularly obvious in the matter of gold payments. Dutch Foreign Minister Stikker held out against Belgian demands that, under full union, trade debts must be settled in gold. Belgian Foreign Minister van Zeeland finally agreed to accept sterling or French francs in lieu of gold.

· Grand Vision-The problem of gold payment is a reflection of the many difficulties that have beset Benelux since it was launched in London in Sept., 1044

The exiled leaders had a grand vision -the merger of the existing Belgium-Luxembourg union, plus the Congo, with the Netherlands and its overseas territories in southeast Asia and



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the Caribbean. The economics of the countries, both at home and abroad, were complementary rather than competitive.

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On paper, Benelux looked as if it might become almost a major power—at least in world trade. Before World War II, the three countries, taken together, accounted for 8.7% of the world's trade. Only three countries—Britain (13.9%), the U.S. (10.7%), and Germany (9.8%)—surpassed the group.

• Dimmed Prospect—But after the launching of Benelux in 1944, two things happened to dim what seemed a rosy prospect: (1) Before pulling out of Holland, the Germans caused untold economic damage; (2) the Dutch lost their grip on Indonesia.

As a result, Benelux, since 1946, has no longer looked like a partnership of equals. The Netherlands has gone through a siege of British-type austerity. It is now a debtor country, not a creditor.

By contrast, Belgium has been relatively prosperous. Moreover, it has become one of Europe's few creditor nations.

 Obstacles—These developments, plus differences in national economic policies, have put many stumbling blocks in the way of Benelux. By the summer of 1949, these obstacles stood out:

(1) The price and wage level in Belgium was 20% to 30% higher than in the Netherlands. Belgian interest rates, too, were considerably higher.

(2) Almost all goods were abundant in Belgium, while searcity was the rule in the Netherlands. The Dutch still have rationing on coal, textiles, meat, and cheese

(3) Belgian recovery was based on a free economy. The Dutch government has more or less followed the British control pattern.

(4) Because of its strong financial and trade position, Belgium had become almost a dollar country. Necessity forced the Netherlands to tie itself closely to the sterling area.

• Succeed Because It Must—Devaluation will not wipe out these differences in a hurry. But the fact is that Benelux has gone too far to be given up lightly. Plans are being made to get wages and prices, interest rates and taxes, into line, Further measures will be taken to integrate industrial investments.

For their part, the Dutch feel Benelux will succeed because it must. There's no alternative to Benelux, if the Low Countries are to survive. That's why Amsterdam and The Hague are a little worried these days about ECA's plan for a Franco-Italian-Belgian monetary union, which later would take in the Netherlands (page 24). The Dutch don't want to see Benelux smashed in the process of building the larger union.

Gillette Makes Blades In Mexico City

MEXICO CITY-The new milliondollar plant of the Gillette Safety Razor Co. will go into production here this month. To start with, the plant will make enough Gillette blades to fill total Mexican demand. Production of ra-zors, shaving cream, and some beauty products (including the Toni Home Permanent) will get started later.

· Local Materials-Mexican materials. such as oil and packing materials, are to be used in the plant wherever possible. Steel for blades will be imported from Sweden. Plant machinery was

brought in from the U.S.

The factory is similar to plants built by Gillette in Brazil, Argentina, France, and Switzerland. It is housed in a streamlined building with model facilities for employees. With the exception of a few technicians, operating personnel is to be 100% Mexican.

• Problems-Gillette had several local problems to meet in planning the new plant. For instance, the factory will use 50,000 liters of water per day—and that's more than watershort Mexico City could supply. So Gillette engineers drilled a well 220 meters deep, and thus assured themselves of a supply of 100,000 liters per day.

Another problem: the frequent power failures, or loss of full power, which occur in Mexico City from time to time. The factory installed its own

diesel power-generating unit.

TATA BORROWS TO EXPAND

BOMBAY-The Tata Locomotive & Engineering Co., Ltd., has turned to the Indian government and a private bank (Imperial Bank of India) for 28million rupees-or \$5.8-million-to finance its expansion program.

Telco would rather have gone to the capital market for its money. Last year the firm raised 20-million rupees that way. But India's private-investment

market has dried up.

If the market doesn't perk up, Telco will have to go back to the government again, or give up its ambitious plans. The company still needs 80-million rupees if it's going to complete its new locomotive works at Jamshedpur (BW-Jul.17'48,p112). The plan is to produce 100 locomotives and 100 spare boilers a year. This would make Telco one of India's two major locomotive builders. (The other: a government plant in Bengal.)

The company's latest annual report shows how far it is from this goal. Production for the year ended Mar. 31, 1949, was only fractionally better than

4 boilers a month.

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Paying the Other Fellow's Taxes

All taxpayers rightly feel they have a license to complain about the taxes they pay. They also have the privilege of complaining about the taxes not paid by others. But you don't hear this second type of complaint voiced very often.

We hazard a guess that they are seldom heard because of a lack of information about the extent of tax escape today. The Bureau of Internal Revenue last week did something about that. It released a compilation of 1946 returns filed by 99,467 tax-exempt organizations. They showed exempt business receipts of more than \$8-billion out of total receipts amounting to more than \$9-billion.

Who were found among the favored? Cooperatives, labor unions, educational institutions, charitable trusts and foundations, and certain types of mutual companies.

Being listed in that group by no means implies anything illegal. Such organizations hold the tax advantages they do because the law says they are to have them. Rulings of the Treasury bring the tax exemptions even more clearly within the legal orbit. As an example, some co-ops are labeled "non-exempt"; they are required to file income-tax' returns, but little tax is paid because the patronage dividends they pay out are exempt.

Most Favored

The cooperatives have the greatest tax benefit of any of the listed groups; and, because they have grown most rapidly, they make the problem of tax avoidance clear and sharp. It is estimated that they alone would have been liable for \$500-million in taxes on last year's operations.

It seems almost incredible that the lawmakers would have deliberately provided for a tax exemption bulking that large for one group. But a look at the early records of income taxation shows the different perspective with which the cooperative situation was then viewed.

When the Federal income-tax law was passed in 1916, it contained a levy of 1% for corporations. Therefore, it didn't seem like much of a concession to farmers' associations, organized and operated on a cooperative basis and acting as selling agents for members, to make them wholly exempt from income tax on their earnings. After all, these were usually small groups of neighboring farmers who figured they could sell their farm products more successfully in combination than they could individually. And it was a rather common feeling in those days to pity the poor farmer.

Ten years later, the co-ops were beginning to break out of the classification of strictly local operators. A few were selling their members' produce on a national scale. But they were exceptional and, therefore, their tax-free status didn't seem to bother anyone. Furthermore, the tax rate for business then was only 12%. So why get excited about a few organizations staying out from under

that kind of impost, particularly if they were still mostly farmers trying to get along and not competing directly with most business?

Now the situation is changed. Considerably changed. No longer are co-ops limited to marketing farm produce. They are important as purchasing groups, too. They make bulk purchases for their members, and sell to others in direct competition with established retailers and wholesalers. They also have entered the industrial field; as operators of manufacturing plants, oil wells, and other enterprises.

Furthermore, the corporate tax rate is 38%. That means that an organization not classified as a business corporation has a 38% differential if it competes with a taxpaying business concern. (The differential was even higher during the war, when corporate rates went up to 90%.)

The co-ops' record growth shows no sign of stopping. And their pleasant experience with the tax laws makes them eager to get added privileges. For example, co-ops are now backing a bill proposing to transfer the Banks for Cooperatives from government ownership to co-op ownership and control. As usual, the co-ops would not be required to pay tax. Furthermore, the bill is laden with extra delicacies, such as a proviso that the co-ops are to keep the banks' capital indefinitely, and not pay any interest on the amount, which is roughly \$178-million.

Time to Tax

There is at least one other bill in Congress with an entirely different purpose. This is a measure introduced in June by Rep. Noah Mason of Illinois. It would impose income taxes on the business earnings of certain exempt corporations—specifically, the cooperatives.

This bill is meritorious in our opinion. We believe it should be passed next session on the ground of tax equality. It is our feeling that Congress would be helping small business especially by revoking the unfair tax exemption of co-ops. We fail to find justification for the tax-free status of a co-op that refines petroleum or sells gasoline in competition with taxpaying oil refiners and marketers.

Rep. Mason has put some sugar-coating on his bill. He advocates as a two-way combination (1) the repeal of wartime excise taxes, and (2) the taxation of presently tax-exempt corporations to offset the loss of revenue. That combination may draw more interest and secure more votes. If it gets enough votes for passage, well and good.

But, even without any such arrangement, the Mason bill to tax co-ops should go on the statute books next year—simply because it corrects an unfair situation, and provides equal opportunity to do business in a competitive fashion.



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